

TOKOLOGO LOCAL MUNICIPALITY



ANNUAL REPORT 2012/2013

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CHAPTER 1:**INTRODUCTION AND OVERVIEW****1. MAYOR'S FOREWORD**

It is indeed an honour and a privilege to serve the community of Tokologo Local Municipality. In the process of serving you we from time to time have to provide you with a progress report about the status of the municipality. The presentation of this Annual performance report marks a milestone of achievement in that we come a long way in unifying the inherited administration of three towns that had different systems and approach towards service delivery. The Tokologo Local Municipality you see today is a product of hard work and sacrifices by all.

The mandate from the people clearly dictates that we continue to democratize our society, de-raacialise the economy and foster the participation of the previously marginalized people in order to better their lives. In the pursuit of a better life for all the peoples constitution has outlined the following objectives for the municipality:

To provide a democratic and accountable government to the local communities

To ensure the provision of services to the communities is sustainable

To promote social and economic development

To promote a safe and a healthy environment

To encourage the involvement of communities in the affairs of local government

It further states that a municipality must strive to serve its community within its financial and administrative capacity to achieve these objectives.

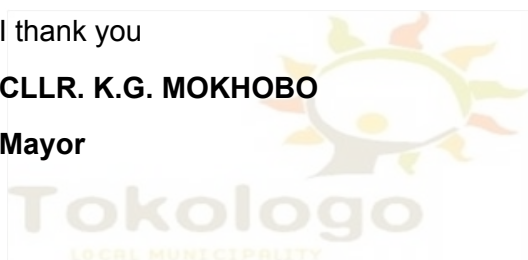
This Annual Performance Report will attempt to address the abovementioned objectives as prescribed by the people's mandate.

To the people of Tokologo, this report should be used as a tool to measure the consolidation and deepening of our democracy, by ensuring that all those mandated to deliver on the mandate given by communities, are held accountable at all times.

I thank you

CLLR. K.G. MOKHOBO

Mayor



2. MUNICIPAL MANAGER'S OVERVIEW

MUNICIPAL MANAGER'S ACCOUNTABILITY STATEMENT



As the Accounting Officer of Tokologo Local Municipality, I confirm that this 2012/2013 Annual Report has been compiled as per the Local Government: Municipal Systems Act 32 of 2000, the Local Government: Municipal Finance Management Act 56 of 2003, the National Treasury guidelines, as well as the customised template and guidelines for municipal annual reports provided by the Provincial Department of Cooperative Governance and Traditional Affairs.

During the year under review, various projects were completed, including the Phase 1 of the Regional Bulk Water Supply Scheme at Hertzogville, which will afford the community of Hertzogville a much needed supply of adequate and clean drinking water, which has been a serious challenge for a long time. The renovation of the game farm at Boshof was also completed, with the much appreciated financial support and project leadership of National Department of Tourism. The hand over of the project to the municipality is envisaged to be completed in the next financial year. The said project created approximately 45 job opportunities for the community of Boshof, 40 of which would be permanent at the conclusion of the project.

These two projects were big and created a number of job opportunities for the community of Tokologo. Although unemployment remains a challenge in Tokologo, the municipality is trying by all means to create projects that are community based and that will alleviate the high rate of unemployment.

The Municipality's performance on Municipal Infrastructure Grant (MIG) projects was lauded by relevant Departments in Provincial spheres of government. Tokologo Local Municipality was rated as the best performing municipality on MIG projects. The acquisition of new yellow fleet in the year under review has improved service delivery tremendously compared to previous years. There is a budget to acquire more fleet in the next financial year.

The municipality has continued to implement the Local Government Turn Around Strategy (TAS), as developed by the Department of Co-operative Governance & Traditional Affairs, albeit with limited financial support from both provincial and national spheres of government. However, it is expected that such support will be forthcoming in the impending fiscal years.

During the year under review, the municipality has continued to invest in its people through training and development. The training workshops included both officials and councillors. A sizeable number of **youth** in Tokologo was included in our various **learnership** and **internship** programs.

In the financial year under review, the municipality received a **qualified audit opinion** compared to the previous year, 2011/2012, where a **disclaimer opinion** was obtained, ending a history of disclaimers. Emphasis shall be placed on qualification matters so as to address them adequately.

An Integrated Development Plan (IDP) for 2012/2013 was reviewed and adopted by Council. Certain priorities were identified by the public during public and stakeholder meetings. Hereunder is the list of all identified projects by the community, as well as those that the municipality has prioritized:

(i) **the alignment of services to IDP indicators and Council priorities**

The following were the key priorities identified by the community during the public and stakeholders consultation processes:

1. Upgrading of Roads and Storm water
2. Upgrading of stadiums
3. Employment for Youth
4. Provision of Adequate Water
5. Streetlights and High mast lights
6. Allocation of sites (residential & business)
7. Bursaries for youth
8. Projects for women and the disabled
9. Electricity
10. Housing
11. Resuscitation of mines
12. Establishment of an SMME Hub

However, since it is a known factor that not all of the identified projects could be implemented during the year under review, Council then prioritized the following for the financial year under review:

1. **Roads and storm water** – the municipality has commenced with patching of potholes in Boshof, which will include roads and storm water maintenance. At Hertzogville, there is a need for the maintenance of roads and storm water, which has not been maintained in the past three years, including pothole patching, which is the same scenario with Dealesville.
2. **Upgrading of Stadiums** – The upgrading of the Boshof stadium is currently underway and is a multi-year project, which is envisaged to be completed in the next financial year.
3. **Employment for youth -**
4. **Provision of Adequate Clean Water** - Tokologo Local Municipality is still experiencing serious challenges of providing clean water to the community. *E-coli* traces are still founding in the water. However, the municipality is still fighting hard together with the Department of Water Affairs and the University of the Free State to ensure that the problem is minimized and/or eradicated
5. **Installation of High mast lights** - No significant improvement in this sphere due to lack of resources. However, maintenance thereof is regularly undertaken
6. **Allocation of Sites (residential & business)** – The municipality is receiving a number of applications on a daily basis for residential and business sites alike. However, the municipality will be compiling a new valuation roll in the next financial year where all properties and sites will be rightfully evaluated, and those sites that belong to the municipality will be identified. Upon completion of the valuation roll, sites will be availed to the community at appropriate prices.
7. **Bursaries for youth** – The municipality does not give bursaries at this stage due to lack of resources. However, various sector departments with the provincial government are working in conjunction with the municipality to avail as many bursaries as possible. Learners for youth are also regularly undertaken.
8. **Projects for women and the disabled -**
9. **Electricity –**
10. **Housing –**
11. **Resuscitation of mines –**
12. **Establishment of an SMME Hub -**

(ii) Service delivery performance***Provision of Water***

Though there is still a challenge of water scarcity in the area, the bulk water supply project is still in progress.

However, drilling and development of boreholes projects were undertaken to alleviate the problem. Water meters were installed for purposes of billing and water management. It seems to be mentioned that Hertzogville is the most affected area in that residents are provided with water on intervals (twice per day, once in the morning and once in the evening). Therefore, phase 1 of the bulk water supply project which has commenced at Hertzogville will address the backlog.

Electricity

During the year under review, 277 households were electrified and the remaining 184 of the allocations will be carried over and addressed in the 2011/2012 financial year.

Sanitation

A bucket eradication backlog of about 1200 in Tokologo was carried over from the previous financial year. Out of the 1200 backlogs, 250 VIP's were erected in Hertzogville and the 50 could not be erected due to overestimation. 250 VIP's were also erected at Dealesville and 52 more were rejected by the community. At Boshof, 400 backlog is still to be addressed, however a technical report and MIG business plan was submitted to Provincial CoGTA for approval and funding. The funding required amounted to R5 million.

Refuse Removal

The municipality does provide refuse removal services but due to shortage and/or the old and unreliable yellow fleet, the municipality is unable to meet the National Standards in terms of refuse removal. However, Lejweleputswa District Municipality provided 5000 new large dustbins which were distributed as follows: Dealesville – 1500; Boshof – 1500 and Hertzogville – 2000.

(iii) *Financial sustainability as presented by the financial health ratios***(iv) *the efforts the municipality is making to conserve power and water in its offices***

The municipality ensures that at the end of business day, all lights and electrical appliances not in use are switched off. We also encourage officials to switch off their office lights when they would be away from their offices for longer during working hours. We ensure that all water leakages are addressed without delay, and officials are encouraged not to boil more than the required amounts of water when drinking tea, coffee or any other hot beverages.

(v) *Administrative policies made during the year reflecting the pressures from world recession*

No administrative policies were made during the year under review.

The municipality does not have any shared service arrangements whatsoever.

In the 2011/2012 financial year, the following areas will receive priority:

- (a) Acceleration of the roll out of basic services to the communities of Tokologo
- (b) Prioritisation of the Expanded Public Works Programme to ensure job creation and poverty eradication
- (c) Working quicker and smarter and enhancing performance
- (d) Transforming the Municipality into a customer friendly and service orientated institution
- (e) Improving labour relations and staff morale
- (f) Improving internal communication with staff; and
- (g) Ensuring that accountability is exercised

2012/2013 was not without any challenges, more so that it was characterized by some degree of economic recession which was global. As a result, more people became jobless and subsequently indigent. However, the municipality is doing everything in its power to ensure that service delivery as well as the lives of our communities are uplifted.

I would like to extend my warmest appreciation to the political leadership and staff of Tokologo Local Municipality for their contribution to the progress made during the 2012/2013 financial year. Your joint efforts and selflessness resulted in the municipality obtaining a qualified report, after so many years of disclaimers.

I would also like to extend a special word of thanks to the internal team that compiled this Report. Your dedication towards making a positive input to the improvement of the municipality is really appreciated. Let us all work together towards achieving an unqualified report in coming financial years.

Kgotso ha e ate!

K.J. MOTLHALE

Municipal Manager



3. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

Tokologo is a Setswana word meaning “freedom”, it emanates from the relentless struggle of the oppressed people culminating in their freedom on 27 April 1994. Tokologo is located within Lejweleputswa District Municipality. The area covers 9 326 square kilometres and consists of three former Transitional Local Councils namely Boshof, Dealesville and Hertzogville, as well as a portion of a former Transitional Rural Council (Moddervaal), which consists of approximately 1 480 farms. Tokologo Local Municipality is in the western Free State. Boshof (the capital town) is situated in the centre; Dealesville is further east, and Hertzogville is situated in the north of the municipal area.

WARD NUMBER	NAME OF LOCATION
1	Dealesville
2	Boshof
3	Moddervaal
4	Hertzogville

Map of Tokologo Local Municipality



Introduction to background data

Tokologo Local Municipality currently renders the following basic services: Water; Sanitation; Electricity and Refuse. It has been a constant battle to have up to date statistics of the entire community and their different categories. It is envisaged that with the outcome of the recent 2011 Census, better information will be kept to provide better input. A process will be undertaken to get all the information regarding indigents and services rendered to them, and all the other sectors of the community. The current estimated statistics for the population of Tokologo Local Municipality in terms of households is estimated at 10 729 with a small portion relating to informal settlements. Unfortunately this population estimate cannot be broken down into groups, and will await results of Census 2011. The municipality is in the process of rehabilitating landfill sites and development of new ones. The following are major environmental problems:

- Soil erosion and land degradation;
- Sewerage and solid waste;

- Geohydrological issue;
- Encroachment on environmentally sensitive areas and
- Uncontrolled development which is been done without proper land-use management.

The municipality has undertaken to establish a unit to deal with performance management, so that it can have up to date information and can be in a position to populate the next Annual Report.

Population Details									
Population '000									
Age	2009/10			2010/11			2011/12		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Age: 0 - 4	1	1	2	2	2	3			
Age: 5 - 9	1	1	3	2	2	4			
Age: 10 - 19	2	2	5	4	4	7			
Age: 20 - 29	1	1	3	2	2	4			
Age: 30 - 39	2	2	3	2	2	5			
Age: 40 - 49	1	1	2	2	2	4			
Age: 50 - 59	1	1	1	1	1	2			
Age: 60 - 69	0	0	1	0	0	1			
Age: 70+	1	1	1	1	1	2			

Source: Statistics SA

Population levels by Race					
RACE	WARD 1	WARD 2	WARD 3	WARD 4	TOTAL
Black African	6101	6678	7549	4153	24481
Coloured	94	890	278	67	528
Indian or Asian	96	38	49	13	193
White	776	862	690	555	2883
Other	16	40	34	7	97
Total	7083	8508	8600	4795	28182

Source: Community survey Statistics South Africa, 2011

Socio Economic Status (as a %)						
Year	Housing Backlog as proportion of current demand	Unemployment Rate	Proportion of Households with no Income	Proportion of Population in Low-skilled Employment	HIV/AIDS Prevalence	Illiterate people older than 14 years
2009/10	75%	61%	30%	80%	10%	30%
2010/11	60%	57%	30%	80%	11%	30%
2011/12						

Overview of Neighbourhoods within Tokologo Local Municipality		
Settlement Type	Households	Population
Towns		
Boshof	380	1 003
Dealesville	250	660
Herztogville	400	1 056
Sub-Total	1 030	2 719
Townships		
Seretse	3 049	7 388
Tshwaraganang	1 750	4 620
Malebogo	4 567	12 056
Sub-Total	9 366	24 064
Rural settlements		
Sub-Total	0	0
Informal settlements		
Boshof	0	
Deasville	285	753
Herztogville	298	787
Sub-Total	583	1 540
Total	10 979	28 323

Natural Resources	
Major Natural Resource	Relevance to Community
Underground Water	Provision of clean drinkable water
Grazing Land	Stock farming, plant production & employment opportunities
Salt Pans	Job creation and economic development opportunity
Small Scale Diamond Mining	Job creation and economic development opportunity

COMMENT ON BACKGROUND DATA:

The biggest challenge for the municipality is the informal settlements noted, so that they can be formalised soonest. Water provision for Dealeseville informal settlements.

There is an opportunity to increase provision of houses in the municipality.

Underground Water - Drilling of boreholes for sustainable water provision for drinking. This will alleviate the plight of lack of water if more boreholes are developed.

Grazing Land - There are employment opportunities for the local community. There are also opportunities for small scale farming for emerging farmers. There are also business opportunities for the farmers to trade outside the province.

Salt Pans - Job opportunities are available if the project can be resuscitated. Cooperatives have been established to explore economic opportunities.

Small Scale Diamond Mining - There are job opportunities and entrepreneurial opportunities. A feasibility study has been undertaken by the municipality to explore the abovementioned opportunities.



CHAPTER 2

SERVICE DELIVERY OVERVIEW

Service delivery introduction

Water: Progress on Hertzogville phase 1 of the bulk water supply project is at an advanced and is to be completed on 30 April 2012, whereafter phase 2 is to commence for the supply of water to Boshof and Dealesville. The upgrading of water-pipelines in Dealesville and Hertzogville has been finalised and soon all households will be provided with water meters for the effective management and control of water. The municipality will also look into installing zonal water meters with the effort to develop a compliant inventory costing model. The municipality will continue using boreholes for the provision of water, as a temporary measure until the bulk water supply projects have been completed.

Sanitation: The eradication of 1000 buckets in Seretse, Boshof stays a point of concern for the municipality. All attempts will be made to get this project finalised.

Electrification of Dikgalaope Section in Dealesville and 16 housing units in Boshof/Seretse new extension completed.

Drilling and development of boreholes in Dealesville/Tshwaraganang

Installation of water-meters in Boshof/Seretse and Dealesville/Tshwaraganang

Bucket eradication in Malebogo (250 VIP's)

These are geared to alleviate the plight felt by indigents and the greater community. Registered indigents were provided with free basic electricity, water, sanitation and refuse removal.

COMMENT ON ACCESS TO BASIC SERVICES:

There has been a significant increase in all the basic services, which implies that service delivery levels have improved.

This is in line with Tokologo Municipality IDP strategies for the year under review, as well as objectives set out in Municipal Turnaround Strategy. The set objectives have tremendous increase in the revenue base of the municipality.



CHAPTER 3:

MUNICIPAL PERFORMANCE ANALYSIS

KPA: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

1. FINANCIAL HEALTH OVERVIEW

Financial overview

From the information below it would appear as though the municipality is in a negative state of financial affairs, but the operating expenditure includes non-cash items for debt impairment and depreciation of R25m and R1m respectively. However the municipality does manage to break-even albeit that it is heavily reliant on grant income. Collections of debtors is still a significant problem for the municipality and the municipality is in a process to develop strategies for better revenue collection.

The budgeting process was a major problem for the municipality due to the fact that the timelines were not adhered to. Reporting was also a problem for the municipality due to staff shortages, but the issue has been resolved during 2011/2012. Processing was also delayed due to back to back audits, which has also been resolved.

Financial Overview - 2011/12			
R' 000			R' 000
Details	Original budget	Adjustment Budget	Actual
Income			
Grants	36 475	36 475	36 975
Taxes, Levies and tariffs	11 086	11 086	16 390
Other	795	795	2 073
Sub Total	48 356	48 356	55 438
Less Expenditure	48 322	48 322	80 402
Net Total*	34	34	-24 964

* Note: surplus/(- deficit)

Operating Ratios	
Detail	%
Employee Cost	27.1%
Repairs & Maintenance	6.2%
Finance Charges & Depreciation	1.8%
	T11.4.3

COMMENT ON OPERATING RATIOS:

Expected norms for items identified in T1.4.2 under Operating ratios are as follows:

1. Employee Costs - approximately 30% to total operating cost;
2. Repairs and maintenance - approximately 20% to total operating cost;
3. Finance Charges and Depreciation - approximately 10% to total operatingcost.

The percentages noted in T1.4.2 are very much lower than the expected norms except employee costs which is less by 3%.

1. Employee costs - not all posts were filled.
2. Repairs and maintenance - no proper monitoring.
3. Finance Charges and Depreciation - Depreciation was not calculated for all assets as the municipality took advantage of directive 4 as per GRAP

Total Capital expenditure			
		R'000	
Detail	2009/10	2010/11	2011/12
Original Budget	62 942	14 845	67 391
Adjustment Budget	62 942	44 776	6987
Actual	36 721	54 015	90519

COMMENT ON CAPITAL EXPENDITURE:

- For the 2009/2010 financial year there was no increase between the original budget and adjustment budget. However there was again under expenditure 42%, as the bulk water project implementation did not take-off at the ideal speed.
- For the 2010/2011 financial year there was significant increase of 202% due to the fact that the unspent portion of R29m was never rolled over from the previous financial year. For the year under review there was an over expenditure of R9m mainly from R3m for INEP grant (electricity) and R6m from DWA (Regional Bulk Water) thus the difference. These were not budgeted for thus the difference.
- For the 2011/2012 there was 100% spending on MIG and RBIG from DWA. There was no changes between the original budget and the adjustment budget.

2. ORGANISATIONAL DEVELOPMENT OVERVIEW

Organizational development performance

The municipality has never had a comprehensive plan and subsequent development performance. During the current year under review a labour relations/skills development officer has been appointed. A comprehensive plan has been outlined but to be effected during 2011/2012. A performance officer has also been appointed on an acting capacity, and the department should be fully capacitated and active during the 2011/2012.

3. AUDITOR GENERAL REPORT

Auditor general report 2011/12

For the year under review the municipality had a **qualified opinion** by the Auditor General.

The following are some of the issues noted by the audit process:

- Non-compliance with laws and regulations
- Limitation of scope matters
- Lack of implementation of internal controls
- Non clearance of all prior year reported audit findings
- Implementation of required GRAP standards
- Unfilled key vacant positions impeding good quality information progressed and related reporting

The municipality has managed to be up to date with information processing for the 2012 financial year. Submission of reports has significantly improved. The municipality has for the first time ensured that there are no backlog audits which hinder addressing prior year audit matters. Key vacant positions will be fulfilled during the 2011/2012 financial year.

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period.	
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	July
3	Finalise 4th quarter Report for previous financial year	
4	Submit draft 11/12 Annual Report to Internal Audit and Auditor General.	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	
7	Mayor tables the unaudited Annual Report	
8	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General.	August
9	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase.	
10	Auditor General assesses draft Annual Report including consolidated Annual Financial Statements and Performance data	September -October
11	Municipalities receive and start to address the Auditor General's comments	
12	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
13	Audited Annual Report is made public and representation is invited	November
14	Oversight Committee assesses Annual Report	
15	Council adopts Oversight report	
16	Oversight report is made public	December
17	Oversight report is submitted to relevant provincial councils	
18	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input.	January

4. COMMENT ON THE ANNUAL REPORT PROCESS:

An Annual Report requires a large volume of data from various sources so an early start and adherence to the timelines is imperative. This will ensure that we can submit a credible and detailed Annual Report timeously. This will also ensure that the municipality does not use the services of consultants, and thus save costs. This will ensure that the legislative requirements and compliance are adhered to. An early start also ensures that the budgeting process can start in earnest. It is important to submit the draft for audit purposes during August.

It is essential that there is alignment between the IDP, Budget and Performance Management System for ease of reference and credible documents. This will allow for better monitoring and reporting to different stakeholders.

Unfortunately the municipality failed to adhere to the above-mentioned timelines, and thus the failure to submit the annual report as legislated. This was as a result of back to back audits, no Performance Management Unit in place and lack of data to compile the document. However endeavors are underway to deal with the municipality's shortcomings, and for the next report the timelines could thus be adhered to and compliance can be achieved.

CHAPTER 4

GOVERNANCE

1. INTRODUCTION TO GOVERNANCE

The local government sphere is one of the most important layers of government which is closer to the community. The local government sphere has four components that has positive contribution to service delivery and they are Political and Administrative Governance, Intergovernmental Relations and lastly the Public Participation sphere.

2. COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.1 INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

In terms of Section 151 (3) of the Constitution of the Republic of South Africa states that the Council of a municipality has the right to govern on its own initiative, the local government affairs of the local community, subject to national and provincial legislation. Tokologo Local Municipality is a collective plenary municipality, which implies that the composition of the council is less than 10 members, Council make decisions as a collective and the wards of the municipality are also less than 10.

2.2 POLITICAL GOVERNANCE

a) INTRODUCTION TO POLITICAL GOVERNANCE

In terms of MFMA S52 (a): The Mayor must provide general political guidance over the fiscal and financial affairs of the municipality. Tokologo Local Municipality does not possess executive powers, and its Council duties are conducted in a plenary collective component.

An Audit Committee was established in March 2011 whilst the oversight committee was referred as a shared service with the district municipality. Tokologo Local Municipality has no executive powers nor executive committee, and the Council collectively resolved to assign portfolios to Councilors in order to fastrack service delivery and unlock challenges which are regarded as impediments in discharging its responsibilities. The Mayor/Speaker has been tasked to lead finance and IDP portfolio and other councilors have been allocated different portfolio to discharge their responsibilities.

b) COUNCILLORS

Tokologo Local Municipality is a plenary municipality and therefore does not have a Deputy Mayor, Council Chief Whip, and no mayoral and /or executive committees. Councilors are assigned portfolios.

The Council consist of eight Councilors made up of four proportional representatives and four ward councilors

c) POLITICAL DECISION-MAKING

Political decisions are taken through discussion and where there is disagreement, then the pending decisions are put to a vote where the majority rule will apply. The majority decision taken will then be adopted as a council resolution. Unfortunately the municipality has not kept stastics of how many decisions are taken were subsequently implemented. The municipality is busy updating Council minutes and compiling a resolution register.

2.3 ADMINISTRATIVE GOVERNANCE

a) INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

In terms of the MFMA 60(b): The Municipal Manager of a municipality is the Accounting Officer of the munici-

pality, for the purposes of this Act and must provide guidance on compliance with this Act to political structures; political office bearers, and officials of the municipality and any entity under the sole or shared control of the municipality. The Accounting Officer should ensure that the strategic document of the municipality, which is its Integrated Development Plan (IDP) as well as the Service Delivery and Budget Implementation Plan (SDBIP) are developed and adopted by Council as envisaged by the MFMA. The SDBIP seeks to ensure effective monitoring of the execution of the budget, the performance management and achievement of service delivery objectives set by Council.

Section 56 Managers			
Portfolios	Core Functions	Managers	Gender
Municipal Manager	IDP, Internal Audit, Performance Management LED & Town Planning	Municipal Manager:	
Chief Financial Officer Administration	Finance, Supply Chain Management	CFO: Ms. Mathapelo	
Technical Services	Planning, Infrastructure Development, Water, Electricity, Sanitation,	Director: Mr. MJ Chakane	
Corporate Services	Legal, HRM & IT	Director: Mr. G Maphobole	
Community Services	Social Development, Sports & Recreation and Youth, Traffic	Director: Currently under Corporate Services	

3. COMPONENT B: INTERGOVERNMENTAL RELATIONS

3.1 INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Section 3 of the Municipal Systems Act requires that municipalities exercise their executive and legislative authority within the Constitutional system of co-operative governance as envisaged in Section 41 of the Constitution of the Republic of South Africa.

Tokologo Local Municipality acknowledges the level of partnerships by government sector departments in accelerating implementation of capital projects. The collective partnership has assisted the municipality to re-engineer its efforts to speed up and improve the process of service delivery to communities of Tokologo Local Municipality. The sector departments that partnered with the municipality are Water Affairs, Corporate Governance and Traditional Affairs as well as Human Settlement.

3.2 ADMINISTRATIVE GOVERNANCE

a) NATIONAL INTERGOVERNMENTAL STRUCTURES

The municipality participates in forums that are provincially based and not at national level. To name but a few the MECLOGA as well as Provincial and District IGR.

b) PROVINCIAL INTERGOVERNMENTAL STRUCTURE

Tokologo Local Municipality is partaking in provincial structures that are directly contributing to service delivery. The municipality only participates in forums at provincial levels with sector departments like the Premier's Office, Corporative Governance and Traditional Affairs, Human Settlement and Public Works , just to mention a few of them.

c) RELATIONSHIPS WITH MUNICIPAL ENTITIES

Tokologo Local Municipality does not have any municipal entities.

d) DISTRICT INTERGOVERNMENTAL STRUCTURES

We participate in regular district forums wherein ideas are shared and challenges identified, and a common ground is reached in addressing matters of mutual interest. From time to time financial assistance is sourced from the district municipality.

4. COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION**4.1 OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION**

In terms of MSA S15 (b): a municipality is required to establish and organise its administration to facilitate a culture of accountability amongst its staff. S16 (i): states that a municipality must develop a system of municipal governance that compliments formal representative governance with a system of participatory governance. S18 (i) (d): requires a municipality to supply its community with information concerning municipal governance, management and development.

The IDP public participation and consultation as well as ward committees function ability add value to public accountability and participation.

4.2 PUBLIC MEETINGS**a) COMMUNICATION, PARTICIPATION AND FORUMS**

The methods used to conduct direct contact with the community are as follows:

- Community mass meetings (through IDP consultation and ward based meetings) Front desk/reception interface
- Stakeholder's meetings (meetings with stakeholders like NGO's, CBO's, Farmers and tax-payer's associations)
- Complain management system, this is done through complains and suggestion register placed in all municipal offices.

b) WARD COMMITTEES

During the year under review, ward committees were active and a couple of meetings were convened. There were also public meetings that were conducted during IDP public participation meetings and also during drafting of budget in which the various wards were used as area of focus. During the year under review, the record keeping of public meetings has been poor, more especially with the IDP public meetings where certain documentation is untraceable. As for the minutes of Ward Committee meetings, minutes are kept by Ward Committee secretaries and we have been struggling to get copies thereof. Therefore, the information we have might not be sufficient for the purpose of populating the table below, in that we are not in the position to can tell exactly what were the issues raised and if they were addressed or not.

Public Meetings							
Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Issues raised by community	Issue addressed (Yes/No)	Dates and manner of feedback given to community
Ward Committee Meeting (Ward 2)	06/01/2012	1	0	11			During ward committee & mass meetings
Mass Meeting (Ward 2)	16/05/2012	1	0	62			During ward committee & mass meetings
Ward Committee Meeting(Ward 2)	16/06/2012	1	0	11			During ward committee & mass meetings
Ward Committee Meeting (Ward 2)	08/05/2012	1	3	9			During ward committee & mass meetings
Ward Committee Meeting(Ward 1)	08/05/2012	2	2	5			During ward committee & mass meetings
Ward Committee Meeting(Ward 1)	14/05/2012	2	2	10			During ward committee & mass meetings
Ward Committee Meeting(Ward 3&4)	14/05/2012	1	2	14			During ward committee & mass meetings
IDP Review consultation	23/11/2011	2	2				During the meeting
IDP Review consultation	11/01/2012	4	2				During the meeting
IDP Review consultation	12/01/2012	3	2				During the meeting

COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD:

The public meetings (ward committee & IDP public meetings) have improved under the current year under review. However, the municipality still needs to engage in community satisfaction surveys so as to ensure that all community issues are addressed.

4.3 IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	No

5. COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

The component of corporate governance relates to intergovernmental relations at both district and provincial government in relation to good governance as well as sustainability of municipal financial viability.

6. RISK MANAGEMENT

Section 62(i) (c) of the MFMA requires a municipality to have and maintain an effective, efficient and transparent system of risk management.

A Risk Management Officer was appointed in the 3rd quarter of the financial year under review. This step was a boost for the municipality, as a risks it faces could be identified and managed effectively. As a result of the appointment, the municipality has since adopted the following: Risk Management Strategy, Risk Management Plan, Risk Management Policy as well as the Risk Register.

7. ANTI-CORRUPTION AND FRAUD

FRAUD AND ANTI-CORRUPTION STRATEGY

Notes: See Chapter 4 details of Disciplinary Action taken on cases of financial mismanagement (T4.3.6). MSA 2000 S83(c) requires providers to be chosen through a process which minimizes the possibility of fraud and corruption.

The municipality did have the Fraud and Anti-Corruption Strategy but unfortunately was not comprehensively implemented to instill awareness for the year under review.

8. SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT

In terms of the Section 110-119 of the Supply Chain Management Regulations 2005; and relevant MFMA circulars sets out the required processes and guidance manuals to help ensure that Supply Chain Management arrangements provide appropriate goods and services, offer best value for money and minimise the opportunities for fraud and corruption.

For the year under review, internal controls have been improved to ensure that the municipality complies with its Supply Chain Management Policy and Regulations.

9. BY-LAWS

By-laws Introduced during 2010/11				
Newly Developed	Date Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	Date of Publication
NO BY-LAWS INTRODUCED DURING THE YEAR UNDER REVIEW				

COMMENT ON BY-LAWS:

The municipality has only 1(one) by-law, to wit the Property Rates By-law, adopted in 2009. The ten (10) identified standard by-laws from the list of standard by-laws provided by the Provincial COGTA towards the

end of the previous financial year, have not been adopted and promulgated. The municipality will ensure that all ten (10) by-laws are adopted and duly promulgated in the new financial year (2012/2013).

10. WEBSITES

Municipal Website : Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	<Yes / No>	Publishing Date
Current annual and adjustments budgets and all budget-related documents		
All current budget-related policies	No	
The previous annual report (2010/11)	No	
The annual report (2011/12) published/to be published	No	
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2011/12) and resulting scorecards	No	
All service delivery agreements (2011/12)	No	
All long-term borrowing contracts (2011/12)	No	
All supply chain management contracts above a prescribed value (give value) for 2011/12	No	
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2011/12	No	
Contracts agreed in 2011/12 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	
Public-private partnership agreements referred to in section 120 made in 2011/12	No	
All quarterly reports tabled in the council in terms of section 52 (d) during 2011/12	No	

Note: MFMA S75 sets out the information that a municipality must include in its website as detailed above. Municipalities are, of course encouraged to use their websites more extensively than this to keep their community and stakeholders abreast of service delivery arrangements and municipal developments.

COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:

During the year under review the municipal website was constructed but not yet fully functional. Unfortunately, even before it could be updated with the relevant information, it was hacked into and had to be reconstructed. However, the municipality will ensure that its website is fully functional in the 2012/2013 financial year. The municipality has also appointed an IT Officer who will ensure that all the relevant documents are uploaded and the website is maintained and updated on a monthly basis. All relevant IT policies as well as the strategy to address the issue of accessibility to the public, have been formulated and will be fully implemented by 2013.

11. PUBLIC SATISFACTION ON MUNICIPAL SERVICES

PUBLIC SATISFACTION LEVELS

The municipality did not undertake formal satisfaction surveys during the year under review. However, there are complaints/compliments registers at all municipal offices (both in towns and in townships) wherein the community register its complaints and/or compliments relating to service delivery. These complaints were attended to and responses thereto were registered in the complaints/compliments register. Others would be telephonically called for feedback. Furthermore, there was a presidential hotline where residents reported

their complaints and the municipality had assigned a community liaison officer who attended to the complaints. The municipality intends conducting a formal survey in the 2012/2013 financial year.

Satisfaction Surveys Undertaken during 2010/11 and 2011/12				
Subject matter of survey	Survey method	Survey date	No of people included in survey	Survey results indicating satisfaction or better (%)*
Overall satisfaction with:	NO SURVEYS UNDERTAKEN			
(a) Municipality				
(b) Municipal Service Delivery				
(c) Mayor				
Satisfaction with:				
Satisfaction with:				
(a) Refuse Collection				
(b) Road Maintenance				
(c) Electricity Supply				
(d) Water Supply				
(e) Sanitation				
(f) Information supplied by municipality to the public				
(g) Opportunities for consultation on municipal affairs				

The percentage indicates the proportion of those surveyed that believed that relevant performance was at least satisfactory

The municipality did not conduct a satisfaction survey for the 2011/2012 financial year. It deems to be mentioned that the existing complaint/request register on its own was found not to be adequate to reflect the level of satisfaction in respect of the community. It is of paramount importance that the municipality should conduct the satisfaction survey, which it intends to undertake in the 2012/2013 financial year.

COMMENT ON SATISFACTION LEVELS:

Despite the fact that the municipality did not conduct a satisfaction survey this municipality did not experience any service delivery protest since after the 2011 local government elections.

NO FORMAL SURVEYS HAVE BEEN UNDERTAKEN. THE MUNICIPALITY HAS A COMPLAINTS REGISTER, HOWEVER THE INFORMATION MUST BE ANALYSED AND GROUPED TOGETHER. THE INFORMATION WILL BE INCLUDED PRIOR TO ADOPTION OF THE ANNUAL REPORT



CHAPTER 5

SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

1. COMPONENT A: BASIC SERVICES

This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services.

2.1 WATER PROVISION

Total Use of Water by Sector (cubic meters)					
	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
2010/11	0	0	27 773	197 537	
2011/12	0	0	27 773	203 258	

Water Service Delivery Levels				
			Households	
Description	2007/08	2008/09	2009/10	2010/11
	Actual No.	Actual No.	Actual No.	Actual No.
<u>Water: (above min level)</u>				
Piped water inside dwelling				4 507
Piped water inside yard (but not in dwelling)				4 311
Using public tap (stand pipes)				
Other water supply (within 200m)				
<i>Minimum Service Level and Above sub-total</i>	0	0	0	8 818
<i>Minimum Service Level and Above Percentage</i>				97%
<u>Water: (below min level)</u>				
Using public tap (more than 200m from dwelling)				260
Other water supply (more than 200m from dwelling)				
No water supply				
<i>Below Minimum Service Level sub-total</i>	0			260
<i>Below Minimum Service Level Percentage</i>				
Total number of households*	0	0	0	9 078

Informal settlements



Households - Water Service Delivery Levels below the minimum Households						
Description	2007/08	2008/09	2009/10	2010/11		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
Formal Settlements						
Total households	5 511	7 283	7 736			8 520
Households below minimum service level						
Proportion of households below minimum service level	0%	0%	0%			0%
Informal Settlements						
Total households	1 966	1 080	886			558
Households is below minimum service level						
Proportion of households is below minimum service level	0%	0%	0%			0%

* Means access to 25 litres of potable water per day supplied within 200m of a household and with a minimum flow of 10 litres per minute

6,000 litres of potable water supplied per formal connection per month

Access to Water			
	Proportion of households with access to water points*	Proportion of households with access to piped water	Proportion of households receiving 6 kl free#
2009/10			
2010/11			
2011/12			



CHAPTER 6

ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

1. INTRODUCTION

Tokologo Local Municipality is a plenary municipality which is a Grade 2. It consists of four senior managers (including the Municipal Manager) and 152 support staff. The municipality provides most basic services like water, electricity, sanitation and refuse removal to its community. The municipality has a serious shortage in capacity and thus has difficulties in delivering on all identified KPI's.

2. COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

2.2 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees					
	2011/2012	2012/2013			
	Employees	Approved Posts	Employees	Variance	Variance
	No.	No.	No.	No.	%
Water	6	7	7	0	0%
Waste Water (Sanitation)	10	18	18	0	0%
Electricity	1	1	1	0	0%
Waste Management	57	57	57	0	0%
Housing	1	1	1	0	0%
Waste Water (Stormwater Drainage)		0	0	0	0%
Roads					
Transport					
Planning					
Local Economic Development	2	2	2	0	0%
Planning (Strategic & Regulatory)					
Local Economic Development					
Community & Social Services		5	3	2	48%
Environmental Protection					
Health					
Security and Safety					
Sport and Recreation					
Corporate Policy Offices and Other	82	195	60		0%
Totals	159	201	15	2	48%

Headings follow the order of services as set out in chapter 3. Service totals should equate to those included in the Chapter 3 employee schedules. Employee and Approved Posts numbers are as at 30 June.



Vacancy Rate 2012/13			
Designations	*Total Approved Posts	*Variances (Total time that vacancies exist using fulltime equivalents)	*Variances (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	0	0%
CFO	1	1	100%
Other S57 Managers (excluding Finance Posts)	2	2	90%
Other S57 Managers (Finance posts)	1	1	100%
Municipal Police	0	1	
Fire fighters	0	1	
Senior management: Levels 13-15 (excluding Finance Posts)	4	0	0%
Senior management: Levels 13-15 (Finance posts)	1	1	100%
Highly skilled supervision: levels 9-12 (excluding Finance posts)	9	0	0%
Highly skilled supervision: levels 9-12 (Finance posts)	33	25	1%
Total	52	32	61%

Note: *For posts which are established and funded in the approved budget or adjustments budget (where changes in employee provision have been made). Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*
2009/2010	164	5	3%
2010/2011	159	13	8%
2011/2012	152	10	7%

Divide the number of employees who have left the organisation within a year, by total number of employees who occupied posts at the beginning of the year

The contracts of employment of 3(three) senior managers expired during this financial year and that constitutes 75% of the entire senior management acheleon. The position of Corporate Services Manager became vacant as from the 1st January 2012, however the post incumbent was granted a month to month contract for a period of 3 (three) months, which had to be terminated after +/- 1(one) month due to contractual disagreements. 2 (Two) adverts went out with no success of attracting a pool of candidates. The post remained vacant until the end of the financial year. The contracts of employment of both the CFO and Technical Services Manager expired on 18 May 2012 where after the council extended the contracts for a 3 (three) month period on a month to month basis. An IT and Risk Management Officer were also appointed during the financial year under review

3. COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

3.1 INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The organogram of the municipality was reviewed during the 2012/2013 financial year and tabled in council for consideration. After being referred to LLF for finalisation. The structure was not adopted by Council, as a result no positions were filled for Senior Management positions.

HR Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1	Affirmative Action	90%		
2	Attraction and Retention	100%		02/02/2008
3	Code of Conduct for employees	100%		Collective Agreement
4	Delegations, Authorisation & Responsibility	100%	80%	7/8/2008
5	Disciplinary Code and Procedures	100%		Collective Agreement
6	Essential Services	90%		To be presented to Council in February 2012
7	Employee Assistance / Wellness	90%		To be presented to Council in February 2012
8	Employment Equity	100%		To be presented to Council in February 2012
9	Exit Management	90%		To be presented to Council in February 2012
#	Grievance Procedures	90%		To be presented to Council in February 2012
#	HIV/Aids	90%		To be presented to Council in February 2012
#	Human Resource and Development	100%	90%	2/8/2008
#	Information Technology	100%		23/5/2008
#	Job Evaluation	90%		To be presented to Council in February 2012
#	Leave	90%		To be presented to Council in February 2012
#	Occupational Health and Safety	90%		To be presented to Council in February 2012
#	Official Housing	0%		There
#	Official Journeys	90%		To be presented to Council in February 2012
#	Official transport to attend Funerals	0%		To be presented to Council in February 2012
#	Official Working Hours and Over-time	90%		To be presented to Council in February 2012
#	Organisational Rights	90%		To be presented to Council in February 2012
#	Payroll Deductions	90%		To be presented to Council in February 2012

HR Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
#	Performance Management and Development	100%		01/08/2010
#	Recruitment, Selection and Appointments	100%		2/2/2008
#	Remuneration Scales and Allowances	90%		To be presented to Council in February 2012
#	Resettlement	0%		To be presented to Council in February 2012
#	Sexual Harassment	90%		To be presented to Council in February 2012
#	Skills Development	90%		To be presented to Council in February 2012
#	Smoking	90%		To be presented to Council in February 2012
#	Special Skills	0%		To be presented to Council in February 2012
#	Work Organisation	90%		To be presented to Council in February 2012
#	Uniforms and Protective Clothing	90%		To be presented to Council in February 2012
#	Other:			To be presented to Council in February 2012

COMMENT ON WORKFORCE POLICY DEVELOPMENT:

The municipality finalised the development of a Human Resources policy, which was tabled in council but referred back for presentation to the LLF. The document is once more to be tabled in council for tabling and adoption. The policy, if adopted, will also cater for the allocation of bursaries to municipal employees.

3.2 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken Days	Employees using injury leave No. Average injury leave taken per employee %		Average Injury Leave per employee Days	Total Estimated Cost R'000
Required basic medical attention only	0	0	0%	0	0
Temporary total disablement	0	0	0%	0	0
Permanent disablement	0	0	0%	0	0
Fatal	0	0	0%	0	0
Total	0	0	0%	0	0

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave Days	Proportion of sick leave without medical certification %	Employees using sick leave No.	Total employees in post* No.	* Average sick leave per Employees Days	Estimated cost R' 000
Lower skilled (Levels 1-2)	632	0%	45	87	7%	5058.35
Skilled (Levels 3-5)	146	0%	13	28	9%	5661.89
Highly skilled production (levels 6-8)						
Highly skilled supervision (levels 9-12)	145		23	38	16%	25530
Senior management (Levels 13-15)	28	0	2	4	0.071429	11723.06
MM and S57	0	0%	0	4		
Total						

The statistics provided above are based on information obtained from the attendance (duty) register as well as sick-leave forms. The HR department started

COMMENT ON INJURY AND SICK LEAVE:

No injury on duty was reported for the financial year, however sick leave remains a point of concern, as there are those employees, given the latitude, who are allegedly misuse the privilege and if that is true, the municipality will bear the costs broad about by man-hours lost and the medical schemes the cost attached to misuse of medical fund. The municipality, through its HR department, has to embark on addressing all discrepancies regarding the management and administration of leave taking into consideration the prescripts including the Bargaining Council Collective Agreement.

Number and Period of Suspensions				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
Supervisor				
It will be discussed by management				



Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
No disciplinary action taken on cases of financial misconduct for the year under review 2012/2013			

COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT:

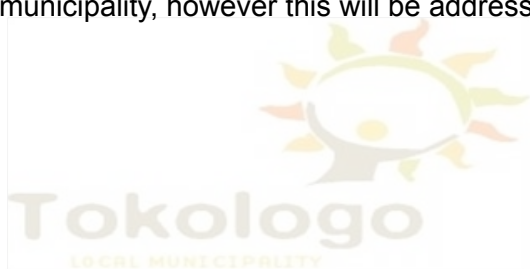
There were no suspensions and cases of financial misconduct during 2013/2012. The municipality, like any organisation is totally against acts of fraud and corruption, hence if such acts are detected, the municipality will deal with the situation according to the applicable laws, rules and regulations.

3.3 PERFORMANCE REWARDS

Performance Rewards By Gender					
Designations	Beneficiary profile				
	Gender	Total number of employees in group	Number of beneficiaries	Expenditure on rewards 2012/2013 R' 000	Proportion of beneficiaries within group %
Lower skilled (Levels 1-2)	Female	No performance Rewards were paid out during the year under review 2012/2013			
	Male				
Skilled (Levels 3-5)	Female				
	Male				
Highly skilled production (levels 6-8)	Female				
	Male				
Highly skilled supervision (levels 9-12)	Female				
	Male				
Senior management (Levels 13-15)	Female				
	Male				
MM and S57	Female				
	Male				
Total					

COMMENT ON PERFORMANCE REWARDS:

No performance rewards were paid during the year under review, as the performance of senior managers was not evaluated. The performance management system policy was not yet adopted in 2012/2013, as it was being reviewed for tabling in council and adoption. The system has not been rolled out to all the levels of the municipality, however this will be addressed during the 2013/2014 financial year.



4. **COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE**

4.1 **INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT**

Note: MSA 2000 S68 (1) requires municipalities to develop their human resource capacity to a level that enables them to perform their functions and exercise their powers in an economical, effective, efficient and accountable way.

The serious challenges of incapacity the municipality faced during the previous financial year have been reduced through trainings provided. However, it is not training alone that will contribute to the staff performing to the best of their ability. The implementation of effective control measures, problem-solving skills and other leadership skills are required to enhance productivity. The conditions under which employees perform their duties should be a priority of each organisation, as the lower the moral the lower the productivity.



Skills Matrix															
Management level	Gender	Employees in post as at 30 June 2012	Number of skilled employees required and actual as at 30 June 2012												
			Learnerships			Skills programmes & other short courses			Other forms of training			Total			
			Actual 30 June 2011	Actual 30 June 2012	Target	Actual 30 June 2011	Actual 30 June 2012	Target	Actual 30 June 2011	Actual 30 June 2012	Target	Actual 30 June 2011	Actual 30 June 2012	Target	
No.			Actual 30 June 2011	Actual 30 June 2012	Target	Actual 30 June 2011	Actual 30 June 2012	Target	Actual 30 June 2011	Actual 30 June 2012	Target	Actual 30 June 2011	Actual 30 June 2012	Target	
MM and S56	Female	1	0							0					0
	Male	2	0							0					0
Councillors, senior officials and managers	Female	4	0							0					0
	Male	4	0							0					0
Technicians and associate professionals	Female		0							0					0
	Male	3	0							0					0
Professionals	Female		0							0					0
	Male		0							0					0
Sub total	Female	5	0							0					0
	Male	9	0							0					0
Total		14	0	0	0	0	0	0	0	0	0	0	0	0	0

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4) (a) and (c))	B. Total number of officials employed by municipal enti- ties (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regula- tion 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed compe- tency levels (Reg- ulation 14(4)(e))
Financial Officials						
Accounting officer	1	0	1	0	0	0
Chief financial officer	1	0	1	0	1	1
Senior managers	2	0	2	0	0	0
Any other financial officials	13	0	13	0	0	0
Supply Chain Management Officials	1	0	1			
Heads of supply chain manage- ment units	0	0	0	0	0	0
Supply chain management se- nior managers	0	0	0	0	0	0
TOTAL	18	0	18	0	1	1

* This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007)

Skills Development Expenditure R'000										
Management level	Gender	Employees as at the beginning of the financial year	14-Jan-00							
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MM and S57	Female	1	0	0	0	0	0	0	0	0
	Male	2	0	0	0	0	0	0	0	0
Legislators, senior officials and managers	Female		0	0	0	0	0	0	0	0
	Male	2	0	0	0	0	0	0	0	0
Professionals	Female	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0
Technicians and associate professionals	Female	0	0	0	0	0	0	0	0	0
	Male	3	0	0	0	0	0	0	0	0
Clerks	Female	7	0	0	0	0	0	0	0	0
	Male	1	0	0	0	0	0	0	0	0
Service and sales workers	Female	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0
Elementary occupations	Female	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0
Sub total	Female	8	0	0	0	0	0	0	0	0
	Male	8	0	0	0	0	0	0	0	0
Total			0	0	0	0	0	0	0	0
% and *R value of municipal salaries (original budget) allocated for workplace skills plan.										

*% and *R value of municipal salaries (original budget) allocated for workplace skills plan.

5. COMPONENT D: SPENDING AGAINST CAPITAL BUDGET

5.1 INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

Delete Directive note once comments completed – Capital expenditure relates mainly to construction projects that will have value lasting over many years. Capital expenditure is funded from grants, borrowings and operating expenditures and surpluses. Component B deals with capital spending indicating where the funding comes from and whether Municipalities are able to spend the available funding as planned. In this component it is important to indicate the different sources of funding as well as how these funds are spend. Highlight the 5 largest projects (see T5.7.1) and indicate what portion of the capital budget they use. In the introduction briefly refer to these key aspects of capital expenditure (usually relating to new works and renewal projects) and to Appendices M (relating to the new works and renewal programmes), N (relating to the full programme of full capital projects, and O (relating to the alignment of projects to wards).

5.2 CAPITAL EXPENDITURE

	% of Expenditure Budget	Original Budget	Adjustment Budget	Un-audited Full Year Total
Capital Expenditure	48.10%	15	45	41
Operating Expenditure	51.90%	48	48	80
Total expenditure		63	93	122

COMMENT ON OPERATING TRANSFERS AND GRANTS:

There were no variances noted between the grant allocation and receipt

Grants Received From Sources Other Than Division of Revenue Act (DORA)						
Details of Donor	Actual Grant '09/10	Actual Grant '10/11	11/12 Municipal Contribution	Date Grant terminates	Date Municipal contribution terminates	Nature and benefit from the grant received, include description of any contributions in kind
Parastatals						
DBSA	462 735	308 490		2010-07-01	2011-06-30	Infrastructure development
Other Government Spheres/Development Aid Agencies						
Lejweleputswa District Municipality	751 883	600 000		2010-07-01	2011-06-30	Water supply
Private Sector / Organisations						
Beatrix Mines Subsidy	504 000	400 000		2010-07-01	2011-06-30	Water supply

5.3 ASSET MANAGEMENT

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED 2011/12	
Asset 1	
Name	Dealesville/Tshwarahanang, Boshof/seretse: Water Meters
Description	Installation of Water Meter
Asset Type	Infrastructure
Key Staff Involved	Kabelo Mosepele

Staff Responsibilities	Project Managemnt			
Asset Value	2008/2009	2009/2010	2010/2011	2011/2012
			3 332 000	
Capital Implications	Infrastructure Assets			
Future Purpose of Asset	For billing purpose			
Policies in Place to Manage Asset	Yes			

Asset 2				
Name	Dealesville Drilling and Developing Boreholes			
Description	Drilling of Boreholes			
Asset Type	Infrastructure			
Key Staff Involved	Kabelo Mosepele			
Staff Responsibilities	Project Management			
Asset Value	2008/2009	2009/2010	2010/2011	2011/2012
			3 989 946	
Capital Implications	Infrastructure Assets			
Future Purpose of Asset	Water Supply			
Describe Key Issues				
Policies in Place to Manage Asset	Yes			

Asset 3				
Name	Tshwaraganang,Malebogo:Installation of VIP's			
Description	Installation of 300 and 322 VIP's			
Asset Type	Infrastructure			
Key Staff Involved	Kabelo Mosepele			
Staff Responsibilities	Project Management			
Asset Value	2008/2009	2009/2010	2010/2011	2011/2012
			4 577 735	
Capital Implications	Infrastructure Assets			
Future Purpose of Asset	bucked eradication			
Describe Key Issues				
Policies in Place to Manage Asset	Yes			

Repair and Maintenance Expenditure 2011/2012 R' 000				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	2789	2789	4991	-78.95%

5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

Ratio	Basis of calculation	09/10	10/11	11/12	current year unaudited
Liquidity Current Ratio	Current assets/current liabilities	1.2	1.7	1.8	

Ratio	Basis of calculation	09/10	10/11	11/12	current year unaudited
Cost cover-age	(Available cash + Investments)/ monthly fixed operational expenditure				

Description of financial indicator	Basis of calculation	2009/10	2010/11	2011/12	Current Year '2011/12				2012/13 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13	
<u>Borrowing Management</u>												
Borrowing to Asset Ratio	Total Long-Term Borrowing/Total Assets	67.0%	53.0%	59.0%	0.0%	0.0%	0.0%	59.0%	0.0%	0.0%	0.0%	
Credit Rating		0-Jan-00	0-Jan-00	0-Jan-00				0-Jan-00				
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	56.0%	98.0%	94.0%	0.0%	0.0%	0.0%	84.0%	0.0%	0.0%	0.0%	
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	56.0%	60.0%	52.0%	0.0%	0.0%	0.0%	87.0%	0.0%	0.0%	0.0%	
<u>Safety of Capital</u>												
Debt to Equity	Loans, Creditors, Overdraft & Tax Provision/ Funds & Reserves	55.0%	61.0%	86.0%	0.0%	0.0%	0.0%	77.0%	0.0%	0.0%	0.0%	
Gearing	Long Term Borrowing/ Funds & Reserves	65.0%	64.0%	81.0%	0.0%	0.0%	0.0%	85.0%	0.0%	0.0%	0.0%	
<u>Liquidity</u>												
Current Ratio	Current assets/current liabilities	0.8	1.0	0.8	-	-	-	0.7	-	-	-	-

Description of financial indicator	Basis of calculation	2009/10	2010/11	2011/12	Current Year '2011/12				2012/13 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13	
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.5	1.2	1.1	–	–	–	1.0	–	–	–	
Liquidity Ratio	Monetary Assets/Current Liabilities	1.2	0.6	1.2	–	–	–	1.0	–	–	–	
<u>Revenue Management</u>												
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/ Last 12 Mths Billing	69.0%	59.0%	75.0%	0.0%	0.0%	0.0%	70.0%	0.0%	0.0%	0.0%	
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	75.0%	50.0%	70.0%	0.0%	0.0%	0.0%	64.0%	0.0%	0.0%	0.0%	
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	61.0%	53.0%	95.0%				96.0%				
<u>Creditors Management</u>												
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))	82.0%	95.0%	90.0%				79.0%				
<u>Funding of Provisions</u>												

Description of financial indicator	Basis of calculation	2009/10	2010/11	2011/12	Current Year '2011/12					2012/13 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13		
Provisions not funded - %	Unfunded Provns./Total Provisions	91.0%	53.0%	74.0%									
Other Indicators													
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated	87.0%	78.0%	89.0%							94.0%		
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source	56.0%	97.0%	70.0%							93.0%		
Employee costs	Employee costs/(Total Revenue - capital revenue)	56.0%	78.0%	64.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	90.0%	0.0%	0.0%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	74.0%	59.0%	68.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	97.0%	0.0%	0.0%

Description of financial indicator	Basis of calculation	2009/10	2010/11	2011/12	Current Year '2011/12				2012/13 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13	
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	50.0%	98.0%	62.0%	0.0%	0.0%	0.0%	54.0%	0.0%	0.0%	0.0%	
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	80.0%	76.0%	73.0%	0.0%	0.0%	0.0%	54.0%	0.0%	0.0%	0.0%	
<u>IDP regulation financial viability indicators</u>	-											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	2.1	1.3	1.5	-	-	1.2	-	-	-	-	
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/ annual revenue received for services	64.0%	62.0%	68.0%	0.0%	0.0%	60.5%	0.0%	0.0%	0.0%	0.0%	
iii. Cost coverage	(Available cash + Investments)/ monthly fixed operational expenditure	1.5	1.9	1.4	-	-	0.8	-	-	-	-	

R million	Original Budget	Adjustment Budget	Un-audited Full Year Total	Original Budget variance	Adjusted Budget Variance
Capital Expenditure	138	135	133	-761.4%	1.5%
	138	135	134	3.3%	0.8%
Operating Expenditure	982	986	987	-0.5%	-0.1%
	982	986	987	-0.5%	-0.1%
Total expenditure	1 120	1 121	1 120	0.0%	0.0%
Water and sanitation	69	70	70	-1.1%	0.4%
Electricity	47	48	48	-0.7%	0.0%
Housing	5	5	5	-3.5%	0.0%
Roads, Pavements, Bridges and storm water	16	14	14	15.3%	5.5%
Other	6	6	6	4.0%	0.0%
	138	135	133	4.0%	1.5%
External Loans	30	31	31	-3.3%	0.0%
Internal contributions	42	34	34	19.9%	0.0%
Grants and subsidies	66	76	76	-14.9%	0.0%
Other	–	–			
	138	141	141	-1.8%	0.0%
External Loans	35	35	35	0.0%	0.0%
Grants and subsidies	162	162	162	0.0%	0.0%
Investments Redeemed	30	48	48	-59.9%	0.0%
Statutory Receipts (including VAT)	85	87	88	-4.1%	-1.3%
Other Receipts	870	856	858	1.3%	-0.2%
	1 182	1 189	1 192	-0.8%	-0.2%
Salaries, wages and allowances	313	311	311	0.8%	0.0%
Cash and creditor payments	550	527	532	3.4%	-0.8%
Capital payments	102	142	141	-38.1%	0.7%

R million	Original Budget	Adjustment Budget	Un-audited Full Year Total	Original Budget variance	Adjusted Budget Variance
Investments made	–	54	43		20.8%
External loans repaid	56	64	64	-14.6%	0.2%
Statutory Payments (including VAT)	93	92	92	1.7%	0.1%
Other payments	–	8	1		89.9%
	1 115	1 198	1 183	-6.1%	1.3%
	Original Budget	Adjustment Budget	Un-audited Full Year Total	Original Budget variance	Adjusted Budget Variance
Property rates	164	164	164	-0.3%	-0.1%
Service charges	604	604	604	-0.1%	0.0%
Other own revenue	214	215	215	-0.5%	0.0%
	982	984	984	-0.2%	0.0%
Employee related costs	303	300	301	0.6%	-0.1%
Provision for working capital	–	–	–		
Repairs and maintenance	51	52	52	-2.3%	-0.1%
Bulk purchases	291	293	293	-0.9%	0.0%
Other expenditure	338	340	340	-0.8%	-0.2%
	982	986	987	-0.5%	-0.1%
Service charges: Electricity	314	322	324	-2.9%	-0.3%
Grants & subsidies: Electricity	7	11	12	-75.7%	-11.9%
Other revenue: Electricity	22	22	22	-2.5%	-0.2%
	343	356	358	-4.4%	-0.7%

R million	Original Budget	Adjustment Budget	Un-audited Full Year Total	Original Budget variance	Adjusted Budget Variance
Employee related costs: Electricity	13	13	13	3.7%	1.5%
Provision for working capital: Electricity	–	–	–		
Repairs and maintenance: Electricity	17	19	19	-17.0%	0.4%
Bulk purchases: Electricity	179	184	184	-3.0%	0.0%
Other expenditure: Electricity	34	50	51	-51.7%	-2.7%
	242	266	267	-10.3%	-0.4%
Service charges: Water	138	139	140	-1.9%	-0.9%
Grants & subsidies: Water	27	26	26	7.1%	0.0%
Other revenue: Water	12	14	14	-21.0%	-0.9%
	177	178	180	-1.8%	-0.8%
Employee related costs: Water	13	14	14	-4.1%	0.1%
Provision for working capital: Water	–	–	–		
Repairs and maintenance: Water	9	9	9	-10.2%	-0.7%
Bulk purchases: Water	86	88	89	-3.2%	-0.2%
Other expenditure: Water	49	45	45	8.2%	0.2%
	156	156	157	-0.1%	-0.1%

CHAPTER 7

AUDITOR GENERAL AUDIT FINDINGS

1. INTRODUCTION

Note: The Constitution S188(1)(b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA S45 states that the results of performance measurement must be audited annually by the Auditor General

THE 2011/12 AND 2010/2011 ANNUAL FINANCIAL STATEMENTS AND THE RELATED AUDIT REPORT HAVE BEEN INCLUDED IN THE ANNUAL REPORT

2. COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2011/12

2.1 AUDITOR GENERAL REPORTS 2011/12

Auditor-General Report on Financial Performance 2011/12	
Audit Report Status*:	QUALIFIED
Non-Compliance Issues	Remedial Action Taken
Refer to attachment	

Note:*The report status is supplied by the Auditor General and ranges from unqualified (at best); to unqualified with other matters specified; qualified; adverse; and disclaimed (at worse)

Auditor-General Report on Service Delivery Performance 2010/11	
Audit Report Status:	DISCLAIMED
Non-Compliance Issues	Remedial Action Taken
Refer attachments	

3. COMPONENT B: AUDITOR-GENERAL OPINION 2011/12

3.1 AUDITOR GENERAL REPORTS 2011/12

Auditor-General Report on Financial Performance 2011/12*	
Status of audit report:	QUALIFIED
Non-Compliance Issues	Remedial Action Taken
Refer to attachments	

Auditor-General Report on Service Delivery Performance 2011/12*	
Status of audit report**:	QUALIFIED
Non-Compliance Issues	Remedial Action Taken
Refer to attachment	

4. AUDITOR GENERAL REPORT ON THE FINANCIAL STATEMENTS 2011/12

Refer to attached report

COMMENTS ON AUDITOR-GENERAL'S OPINION 2010/11:

The municipality received a **qualified of opinion** by the Auditor General.

The following are some of the issues noted by the audit process:

- Oversight responsibility not exercised
- Misstatements and limitations identified in the financial statements
- Lack of monitoring and evaluation by senior management
- Non clearance of all prior year reported audit findings
- Implementation of required GRAP standards
- Unfilled key vacant positions impeding good quality information progressed and related reporting

The municipality has managed to be up to date with information processing for the 2012 financial year. Submission of reports has significantly improved. The municipality has for the first time ensured that there are no backlog audits which hinder addressing prior year audit matters. Key vacant positions will be fulfilled during the 2011/2012 financial year.

COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES: Section 71 of the MFMA requires municipalities to return a series of financial performance data to the National Treasury at specified intervals throughout the year. The Chief financial officer states that these data sets have been returned according to the reporting requirements/ with the exception of those items and for those reasons given at **Appendix S**

Signed (Chief financial Officer)..... Dated



Councillors, Committees Allocated and Council Attendance					
Council Mem- bers	Full Time / Part Time	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Per cent age Apologies for non-attendance
FT/PT				%	%
Prior 2011 Local Election					
K.G Mokhobo	FT		PR Councillor(ANC)	100%	100%
B E Seakge	PT	Sport	Ward(ANC)	100%	100%
G K Ditira	PT	Health	Ward(ANC)	100%	100%
B E Seekoeei	PT	Social Development	Ward(ANC)	100%	100%
M G Nyamani	PT	Sport	Ward(ANC)	100%	100%
MM Lentsa	PT		Ward(ID)	100%	100%
D D Mongana	PT		PR(COPE)	100%	100%
A F Bartleman	PT		PR(DA)	100%	100%
Note: * Councillors appointed on a proportional basis do not have wards allocated to them T A					
AFTER 2011 LOCAL ELECTION(30 JUNE 2011 TO 01 JULY 2012) 2012 to 1 JULY 2013					
K.G. Mokhobo	FT		PR Councillor (ANC)	100%	100%
B E Seakge	PT	Sport	Ward(ANC)	100%	100%
G K Ditira	PT	Health	Ward(ANC)	100%	100%
B E Seekoeei	PT	Social Development	Ward(ANC)	100%	100%

Councillors, Committees Allocated and Council Attendance					
Council Mem- bers	Full Time / Part Time FT/PT	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Per cent age Apologies for non-attendance
				%	%
M G Nyamani	PT	Sport	Ward(ANC)	100%	100%
MM Lentsa	PT		Ward(ID)	100%	100%
D D Mongana (Deceased March 2013)	PT		PR(COPE)	100%	100%
A F Bartleman	PT		PR(DA)	100%	100%
Note: * Councillors appointed on a proportional basis do not have wards allocated to them T A					

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
Audit Committee	To advise the municipal council, accounting officer and the management as well as to review the annual financial statements, to provide an authoritative and credible view of the financial position of the municipality, its efficiency, effectiveness and overall level of compliance with applicable acts and legislation

Third Tier Structure	
Directorate	Director/Manager (State title and name)
Corporate Services	Position filled on 1 May 2013
Finance Department	Mrs Mathapelo Oiriena Masisi
Technical Services	Mr Moleleki Joseph Chakane
Use as a spill-over schedule if top 3 tiers cannot be accommodated in chapter 2 (T2.2.2). T C	


Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
Constitution Schedule 4, Part B functions:		
Air pollution	NO	N/A
Building regulations	YES	N/A
Child care facilities	NO	N/A
Electricity	YES	N/A
Firefighting services	NO	N/A
Local tourism	NO	N/A
Municipal airports	YES	N/A
Municipal planning	NO	N/A
Municipal health services	NO	N/A
Municipal public transport	NO	N/A

Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
Constitution Schedule 4, Part B functions:		
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	YES	N/A
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	NO	N/A
Stormwater management systems in built-up areas	NO	N/A
Trading regulations	NO	N/A
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	YES	N/A

Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
Constitution Schedule 5, Part B functions:		
Beaches and amusement facilities	NO	N/A
Billboards and the display of advertisements in public places	YES	N/A
Cemeteries	YES	N/A
Cleansing	NO	N/A
Control of public nuisances	NO	N/A
Control of undertakings that sell liquor to the public	NO	N/A

Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
Constitution Schedule 5, Part B functions:		
Facilities for the accommodation, care and burial of animals	NO	N/A
Fencing and fences	NO	N/A
Licensing of dogs	NO	N/A
Licensing and control of undertakings that sell food to the public	NO	N/A
Local amenities	NO	N/A
Local sport facilities	YES	N/A
Markets	NO	N/A
Municipal abattoirs	NO	N/A
Municipal parks and recreation	YES	N/A
Municipal roads	YES	N/A
Noise pollution	NO	N/A
Pounds	NO	N/A
Public places	NO	N/A
Refuse removal, refuse dumps and solid waste disposal	YES	N/A
Street trading	NO	N/A
Street lighting	YES	N/A
Traffic and parking	YES	N/A
* If municipality: indicate (yes or No); * If entity: Provide name of entity		T D

Functionality of Ward Committees						
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year	
Dealesville(Ward 1)	Cllr B.E Seake,Members-Samuel Is-sak Fourie,Jacob Johanna Magdeline Laubscher,Jan Louis Badenhorst,Boy Motsamai Bosaletse,Motshabi Kedumetse Cecilia Dada, Maquba Abram Nkomo, Puleng Johanna Tau,Human Joyce Ntebele, Buti Jacob Mbalula, Sekwaemang Achirchuras Merafe	Yes	3	3	0	
Boshof(Ward 2)	Cllr M M Lentsa,Member -Moses Shuping Magale, Dikhukhu Glarine Kaneng, Olihile Solomon Motshabi, Thandiwe Ruth Mo-koena, Litsheho Isaac Bookholane, Calla Van Niekerk, Maria Magedelina Wessels, Puleng Evodia Modise, Malulu Elizabeth Bezent	Yes	3	0	0	
Herzogville(ward3)	Cllr G.K Ditira, members-Pule Patrick Mpokele,Monyananyana Ser-eetsi, Mathe Matthews Gaebbee, Ndleleni Petrus Ndinisa,Tselane Georgina Makhetha,Tshepiso Stephen Maraman, Henry James Jaquire, Dean Linde,Keloapere Annah Mpokele,Baruledi Rebecca Makoko	Yes	1	2	0	
Herzogville(ward 4)	Cllr M.G Nyamani, members-Puseletso Marry Lichakane,Motsamai Frank Modise, Nokakumbi Lenah Bilingane, Maadimo Sophie Tsipa, Thabiso Nicholas Moremi, Nkeletsang Millicent Mogwera, Pogisho Israel Seretsi, Dirk Cornrius Linde,Zibonele Patrick Maxilane, Lesholebe Sethare	Yes	3	3	0	

Long Term Contracts (20 Largest Contracts Entered into 2012/2013)					
R' 000					
Name of Service Provider (Entity or Municipal Department)	Description of Services Rendered by the Service Provider	Start Date of Contract	Expiry date of Contract	Project manager	Contract Value
 <p>NO LONG CONTRACT WERE ENTERED INTO FOR THE YEAR UNDER REVIEW</p>					

Public Private Partnerships Entered into 2010/11					
R' 000					
Name and Description of Project	Name of Partner(s)	Initiation Date	Expiry date	Project manager	Value 2008/09
<p>NO PUBLIC PRIVATE PARTNERSHIP ENTERED INTO 2010/2011 FOR THE YEAR UNDER REVIEW</p>					

Municipal Entity/Service Provider Performance Schedule									
Name of Entity & Purpose	(a) Service Indicators	2009/10		2010/11		2011/12		2012/13	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual
	(b) Service Targets	*Previous Year		*Previous Year		*Current Year		*Current Year	*Following Year
<p>THE MUNICIPALITY DOES NOT HAVE ENTITY AND SERVICE PERFORMANCE SCHEDULE WERE NOT KEPT FOR THE YEAR UNDER REVIEW.</p> <p>Note: This statement should include no more than the top four priority indicators. * 'Previous Year' refers to the targets that were set in the 2007/08 Budget/IDP round; *'Current Year' refers to the targets set in the 2008/09 Budget/IDP round. *'Following Year' refers to the targets set in the 2009/10 Budget/IDP round. Note that all targets must be fundable within approved budget provision. In column (ii) set out the Service Indicator (In bold italics) then the Service Target underneath (not in bold - standard type face) to denote the difference.</p>									

Disclosures of Financial Interests		
Period 1 July 2012 to 30 June 2013		
Position	Name	Description of Financial interests* (Nil / Or details)
(Executive) Mayor	K.G Mokhobo	NIL
Member of MayCo / Exco		
Councillor	B.E Seakge	NIL
	B.E Seekoei	NIL
	M.M Lentsa	NIL
	G.K Ditira	NIL
	M.G Nyamani	NIL
	D.D Mongana	NIL (Deceased March 2013 and replaced by Cllr. Links)
	H.S. Links	NIL

	A.F Bartleman	NIL
Municipal Manager	L.M.A Mofokeng	NIL (Contract expired in March 2013 and K.J. Motlhale appointed in April 2013)
	K.J. Motlhale	NIL
Chief Financial Officer	M.O Masisi	NIL
Deputy MM and (Executive) Directors		
Other S57 Officials	M.G Maphobole	NIL
	M.J Chakane	NIL
* Financial interests to be disclosed even if they incurred for only part of the year. See MBRR SA34A T J		

Capital Expenditure - New Assets Programme*							
R '000							
Description	2011/2012	2012/2013			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
<u>Capital expenditure by Asset Class</u>							
<u>Infrastructure - Total</u>	32 048	32 048	-	32 048	-	-	-
Infrastructure: Road transport - Total	-	9 300	-	9 300	-	-	-
Roads, Pavements & Bridges		9 300		9 300			
Storm water							
Infrastructure: Electricity - Total	3 000	-	-	-	-	-	-
Generation							
Transmission & Reticulation	3 000						
Street Lighting							
Infrastructure: Water - Total	38 189	22 748	-	22 748	-	-	-
Dams & Reservoirs							
Water purification							
Boreholes	38 189	22 748		22 748			

Capital Expenditure - New Assets Programme*							
R '000							
Description	2011/2012	2012/2013			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
Infrastructure: Sanitation - Total	-	-	-	-	-	-	-
<i>Reticulation</i>							
<i>Sewerage purification</i>							
Infrastructure: Other - Total	804	-	-	-	-	-	-
<i>Waste Management</i>	62						
<i>Transportation</i>							
<i>Gas</i>							
<i>Other</i>	742						
Community - Total	-	-	-	-	-	-	-
Parks & gardens							
Sportsfields & stadia							
Swimming pools							
Community halls							
Libraries							
Recreational facilities							
Fire, safety & emergency							
Security and policing							
Buses							
Clinics							
Museums & Art Galleries							
Cemeteries							
Social rental housing							
Other							

Capital Expenditure - New Assets Programme*						
R '000						
Description	2011/2012	2012/2013			Planned Capital expenditure	
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2
<u>Capital expenditure by Asset Class</u>						
<u>Heritage assets - Total</u>	-	-	-	-	-	-
Buildings						
Other						
<u>Investment properties - Total</u>	-	-	-	-	-	-
Housing development						
Other						
-						
<u>Other assets</u>	-	-	-	-	-	-
General vehicles						
Specialised vehicles						
Plant & equipment						
Computers - hardware/equipment						
Furniture and other office equipment						
Abattoirs						
Markets						
Civic Land and Buildings						
Other Buildings						
Other Land						
Surplus Assets - (Investment or Inventory)						
Other						
<u>Agricultural assets</u>	-	-	-	-	-	-
<i>List sub-class</i>						

[illegible]

* Note: Information for this table may be sourced from MBRR (2009: Table SA34a) T M.1

Capital Expenditure - Upgrade/Renewal Programme*						
R '000						
Description	2011/2012	2012/2013			Planned Capital expenditure	
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2
						FY + 3
<u>Capital expenditure by Asset Class</u>						
<u>Infrastructure - Total</u>	-	-	-	-	-	-
Infrastructure: Road transport - Total	-	-	-	-	-	-
Roads, Pavements & Bridges						
Storm water						

Capital Expenditure - Upgrade/Renewal Programme*							
R '000							
Description	2011/2012	2012/2013			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
Infrastructure: Electricity - Total	-	-	-	-	-	-	-
<i>Generation</i>							
<i>Transmission & Reticulation</i>							
<i>Street Lighting</i>							
Infrastructure: Water - Total	-	-	-	-	-	-	-
<i>Dams & Reservoirs</i>							
<i>Water purification</i>							
<i>Reticulation</i>							
Infrastructure: Sanitation - Total	-	-	-	-	-	-	-
<i>Reticulation</i>							
<i>Sewerage purification</i>							
Infrastructure: Other - Total	-	-	-	-	-	-	-
<i>Waste Management</i>							
<i>Transportation</i>							
<i>Gas</i>							
<i>Other</i>							
Community	-	-	-	-	-	-	-
<i>Parks & gardens</i>							
<i>Sportsfields & stadia</i>							
<i>Swimming pools</i>							
<i>Community halls</i>							
<i>Libraries</i>							
<i>Recreational facilities</i>							
<i>Fire, safety & emergency</i>							
<i>Security and policing</i>							

Capital Expenditure - Upgrade/Renewal Programme*						
R '000						
Description	2011/2012 Actual	2012/2013			Planned Capital expenditure	
		Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2
Buses						
Clinics						
Museums & Art Galleries						
Cemeteries						
Social rental housing						
Other						
<u>Heritage assets</u>						
Buildings	-	-	-	-	-	-
Other						
<i>Table continued next page</i>						
<u>Investment properties</u>						
Housing development	-	-	-	-	-	-
Other						
<u>Other assets</u>						
General vehicles	-	-	-	-	-	-
Specialised vehicles						
Plant & equipment						
Computers - hardware/equipment						
Furniture and other office equipment						
Abattoirs						
Markets						
Civic Land and Buildings						
Other Buildings						

Capital Expenditure - Upgrade/Renewal Programme*						
R '000						
Description	2011/2012 Actual	2012/2013			Planned Capital expenditure	
		Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2
Other Land						
Surplus Assets - (Investment or Inventory)						
Other						
<u>Agricultural assets</u>						
<i>List sub-class</i>	-	-	-	-	-	-
<u>Biological assets</u>						
<i>List sub-class</i>	-	-	-	-	-	-
<u>Intangibles</u>						
Computers - software & programming	-	-	-	-	-	-
Other (<i>list sub-class</i>)						
Total Capital Expenditure on renewal of existing assets	-	-	-	-	-	-
<u>Specialised vehicles</u>						
Refuse	-	-	-	-	-	-
Fire						
Conservancy						
Ambulances						
* Note: Information for this table may be sourced from MBRR (2009: Table SA34b)						T M.2

Capital Programme by Project 2012/13						
R' 000						
Capital Project	Original Budget	Adjustment Budget	Actual	Variance (Act - Adj) %	Variance (Act - OB) %	
Water						
	22 748		19 693		-16%	
Drilling and Development of Boreholes:MIG 0539	19 693		19 693	100%	0%	
Drilling and Development of Boreholes:MIG 0539	3 055		3 055	100%	0%	
Sanitation/Sewerage						
Installation of 300 VIP's: MIG0754						
Installation of 322 VIP's: MIG 0753						
Electricity						
Dikgalaope Phase 1	–	–				
Seretse Phase 2	–	–				

Service Backlogs: Schools and Clinics				
Establishments lacking basic services	Water	Sanitation	Electricity	Solid Waste Collection
Schools (NAMES, LOCATIONS)				
Annaspan PF/S	x	x	x	
Bontleng PF/S	x	x	x	
Graslaagte PF/S	x	x	x	
Clinics (NAMES, LOCATIONS)				
Names and locations of schools and clinics lacking one or more services. Use 'x' to mark lack of service at appropriate level for the number of people attending the school/clinic, allowing for the proper functioning of the establishment concerned.				T P

Service Backlogs Experienced by the Community where another Sphere of Government is the Service Provider (where the municipality whether or not act on agency basis)				
Services and Locations	Scale of backlogs	Impact of backlogs		
Clinics:				
Housing:				
Boshof				
Dealesville				
Herzogville				
Licencing and Testing Centre:				
Reseviors				
Schools (Primary and High):				
Malebogo	1	Overcrowded		
Seretse	1	Overcrowded		
Sports Fields:				
Declaration of Loans and Grants made by the municipality 2012/13				
All Organisation or Person in receipt of Loans */Grants* provided by the municipality	Nature of project	Conditions at-tached to funding	Value 2012/13 R' 000	Total Amount committed over previous and future years
* Loans/Grants - whether in cash or in kind				T R

CHAPTER 8

AUDITED FINANCIAL STATEMENTS AND RELATED INFORMATION

Financial Statements for the year ended 30 June 2013

General Information

Relevant Legislation

Municipal Finance Management Act (Act no 56 of 2003)
 Division of Revenue Act (Act No 5 of 2012)
 The Income Tax Act (Act No 28 of 1997)
 Value Added Tax Act (Act No 89 of 1991)
 Municipal Structures Act (Act no 117 of 1998)
 Municipal Systems Act (Act no32 of 2000)
 Municipal Planning and Performance Management Regulations
 Water Services Act (Act no 108 of 1997)
 Housing Act (Act no 107 of 1997)
 Municipal Property Rates Act (Act no 6 of 2004)
 Electricity Act (Act no 41 of 1987)
 Skills Development Levies Act (Act no 9 of 1999)
 Employment Equity Act (Act no 55 of 1998)
 Unemployment Insurance Act (Act no 30 of 1966)
 Basic Conditions of Employment Act (Act no 75 of 1997)
 Supply Chain Management Regulations, 2005
 Collective Agreements
 Infrastructure Grants
 SALBC Leave Regulations



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

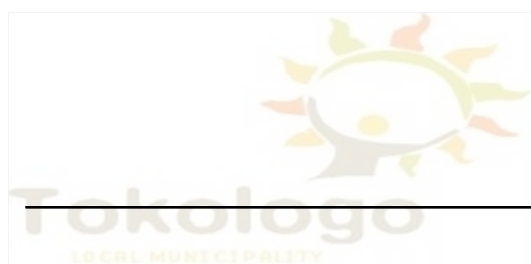
Index

The reports and statements set out below comprise the financial statements presented to the Tokologo Municipality Council:

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Report of the Auditor General	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
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Abbreviations

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the financial statements.

The financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies that are supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied upon for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer acknowledges that the salaries, allowances and benefits of political office-bearers and councillors of the municipality, whether financial or in kind, including a statement by the accounting officer whether or not those salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is largely dependent on Government Grants for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that there is no intention to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The financial statements set out on pages 6 to 56, which have been prepared on the going concern basis, were approved by the accounting officer on _____ and were signed by:

K J Motlhale (Municipal Manager)

M Masisi (Chief Financial Officer)

Boshof



Report of the Auditor General

To the Provincial Legislature of TOKOLOGO MUNICIPALITY

Report on the Financial Statements

I have audited the accompanying financial statements of the TOKOLOGO MUNICIPALITY which comprise the statement of financial position as at 30 June 2013, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the [directors' / accounting officer's / accounting authority's] report, as set out on pages 6 to 56.

The Auditor General of South Africa



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012 restated
Assets			
Current Assets			
Cash and cash equivalents	3	3 221 213	3 368 708
Inventories	4	9 693	12 663
Receivables from non-exchange transactions	5	2 146 861	4 020 822
Receivables from exchange transactions	6	1 535 125	1 572 972
VAT receivable	7	11 968 382	1 806 142
		18 881 274	10 781 307
Non-Current Assets			
Biological assets	8	1 408 720	1 390 360
Investment property	9	30 911 400	30 131 400
Property, plant and equipment	10	465 683 726	415 489 531
Intangible assets	11	76 146	-
Investments	12	277 521	277 011
		498 357 513	447 288 302
Total Assets		517 238 787	458 069 609
Liabilities			
Current Liabilities			
Consumer deposits	13	378 657	362 404
Current portion of finance lease obligation	14	183 285	393 317
Payables from exchange transactions	15	10 368 727	18 671 598
Provisions	16	2 295 698	2 028 250
Long Term Service Awards	50	1 136 000	1 055 000
		14 362 367	22 510 569
Non-Current Liabilities			
Non-current portion of finance lease obligation	14	260 211	284 612
Employee benefit obligations	17	3 444 000	3 104 000
		3 704 211	3 388 612
Total Liabilities		18 066 578	25 899 181
Net Assets		499 172 209	432 170 428
Net Assets			
Accumulated surplus		499 172 209	432 170 428



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012 restated
Revenue			
Revenue from exchange transactions			
Sale of goods in agricultural activities		171 710	56 750
Service charges	18	17 813 741	16 239 396
Rendering of services		185 709	82 452
Rental of facilities and equipment	19	862 540	503 765
Interest received	34	1 091 877	799 092
Dividends received		-	16 014
Total revenue from exchange transactions		20 125 577	17 697 469
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	2 936 323	2 343 116
Transfer revenue			
Government grants & subsidies	33	123 997 194	107 150 344
Fines		106 255	174 410
Total revenue from non-exchange transactions		127 039 772	109 667 870
Total revenue	21	147 165 349	127 365 339
Expenditure			
Personnel	22	(20 394 491)	(20 714 083)
Remuneration of councillors	23	(1 889 300)	(1 896 124)
Depreciation and amortisation	24	(21 082 960)	(19 058 016)
Finance costs	25	(422 260)	(151 845)
Debt impairment	26	(6 872 970)	(19 118 409)
Repairs and maintenance		(2 825 267)	(3 967 501)
Bulk purchases	27	(13 548 017)	(11 894 519)
Contracted services	28	(3 333 886)	(4 828 244)
Grants and subsidies paid	29	(254 451)	(1 266 213)
General Expenses	30	(9 814 901)	(9 153 035)
Total expenditure		(80 438 503)	(92 047 989)
Operating surplus		66 726 846	35 317 350
Gain on disposal of assets and liabilities		(1 465 199)	-
Fair value adjustments	31	510	7 518
Gains or (losses) on biological assets and agricultural produce		18 360	(73 100)
		(1 446 329)	(65 582)
Surplus for the year		65 280 517	35 251 768



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	405 102 765	405 102 765
Adjustments		
Correction of prior period error	(8 184 105)	(8 184 105)
Balance at 01 July 2011 as restated	396 918 660	396 918 660
Changes in net assets		
Surplus for the period	35 251 768	35 251 768
Total changes	35 251 768	35 251 768
Opening balance as previously reported	431 956 422	431 956 422
Adjustments		
Correction of prior period error	1 935 270	1 935 270
Balance at 01 July 2012 as restated	433 891 692	433 891 692
Changes in net assets		
Surplus for the period	65 280 517	65 280 517
Total changes	65 280 517	65 280 517
Balance at 30 June 2013	499 172 209	499 172 209

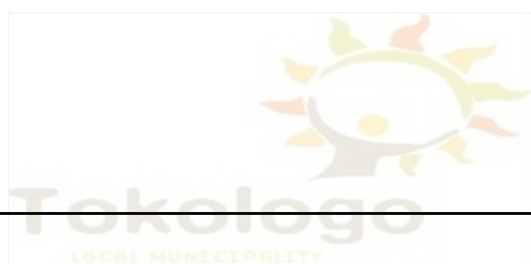


TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012 restated
Cash flows from operating activities			
Receipts			
Sale of goods and services		22 076 278	19 399 889
Grants		123 997 194	107 150 344
Interest income		1 091 877	799 092
Dividends received		-	16 014
		<u>147 165 349</u>	<u>127 365 339</u>
Payments			
Finance costs		(422 260)	(151 845)
Other payments		(73 546 814)	(58 108 016)
		<u>(73 969 074)</u>	<u>(58 259 861)</u>
Net cash flows from operating activities	35	<u>73 196 275</u>	<u>69 105 478</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(73 310 221)	(68 287 425)
Proceeds from sale of property, plant and equipment	10	641 877	-
Purchase of investment property	9	(780 000)	-
Purchase of other intangible assets	11	(132 459)	-
Purchases in biological assets	8	(212 180)	(289 060)
Proceeds from sale of biological assets	8	214 780	123 320
Net cash flows from investing activities		<u>(73 578 203)</u>	<u>(68 453 165)</u>
Cash flows from financing activities			
Decrease/(increase) in Finance lease obligation		234 433	369 755
Net increase/(decrease) in cash and cash equivalents		<u>(147 495)</u>	<u>1 022 068</u>
Cash and cash equivalents at the beginning of the year		3 368 708	2 346 640
Cash and cash equivalents at the end of the year	3	<u>3 221 213</u>	<u>3 368 708</u>



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance**Revenue****Revenue from exchange transactions**

Sale of game	360 000	-	360 000	171 710	(188 290)
Service charges	18 336 535	-	18 336 535	17 813 741	(522 794)
Rendering of services	74 135	-	74 135	185 709	111 574
Rental of facilities and equipment	250 537	-	250 537	862 540	612 003
Interest received - investment	523 000	-	523 000	1 091 877	568 877
Dividends received	3 000	-	3 000	-	(3 000)
Total revenue from exchange transactions	19 547 207	-	19 547 207	20 125 577	578 370

Revenue from non-exchange transactions**Taxation revenue**

Property rates	2 871 478	-	2 871 478	2 936 323	64 845
Government grants & subsidies	105 960 000	-	105 960 000	123 997 194	18 037 194

Transfer revenue

Fines	80 000	-	80 000	106 255	26 255
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Total revenue from non-exchange transactions	108 911 478	-	108 911 478	127 039 772	18 128 294
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Total revenue	128 458 685	-	128 458 685	147 165 349	18 706 664
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Expenditure

Personnel	(24 319 478)	-	(24 319 478)	(20 394 491)	3 924 987
Remuneration of councillors	(1 991 070)	-	(1 991 070)	(1 889 300)	101 770
Depreciation and amortisation	(1 389 311)	-	(1 389 311)	(21 082 960)	(19 693 649)
Impairment loss/ Reversal of impairments	(2 757 801)	-	(2 757 801)	-	2 757 801
Finance costs	-	-	-	(422 260)	(422 260)
Debt impairment	(2 827 506)	-	(2 827 506)	(6 872 970)	(4 045 464)
Repairs and maintenance	(4 061 682)	-	(4 061 682)	(2 825 267)	1 236 415
Bulk purchases	(12 901 177)	-	(12 901 177)	(13 548 017)	(646 840)
Contracted Services	(12 935 000)	-	(12 935 000)	(3 333 886)	9 601 114
Grants and subsidies paid	(942 244)	-	(942 244)	(254 451)	687 793
General Expenses	(6 258 533)	-	(6 258 533)	(9 814 901)	(3 556 368)

Total expenditure	(70 383 802)	-	(70 383 802)	(80 438 503)	(10 054 701)
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Operating surplus	48 939 556	-	48 939 556	66 726 846	17 787 290
--------------------------	-------------------	----------	-------------------	-------------------	-------------------

Loss on disposal of assets and liabilities	-	-	-	(1 465 199)	(1 465 199)
--	---	---	---	-------------	-------------

Fair value adjustments	-	-	-	510	510
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Gain on biological assets and agricultural produce	-	-	-	18 360	18 360
--	---	---	---	--------	--------

	-	-	-	(1 446 329)	(1 446 329)
--	---	---	---	-------------	-------------

Surplus before taxation	48 939 556	-	48 939 556	65 280 517	16 340 961
--------------------------------	-------------------	----------	-------------------	-------------------	-------------------

	-	-	-	(1 446 329)	(1 446 329)
--	---	---	---	-------------	-------------

Surplus before taxation	48 939 556	-	48 939 556	65 280 517	16 340 961
--------------------------------	-------------------	----------	-------------------	-------------------	-------------------

	-	-	-	(1 446 329)	(1 446 329)
--	---	---	---	-------------	-------------

	-	-	-	(1 446 329)	(1 446 329)
--	---	---	---	-------------	-------------

	-	-	-	(1 446 329)	(1 446 329)
--	---	---	---	-------------	-------------

	-	-	-	(1 446 329)	(1 446 329)
--	---	---	---	-------------	-------------

	-	-	-	(1 446 329)	(1 446 329)
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	-	-	-	(1 446 329)	(1 446 329)
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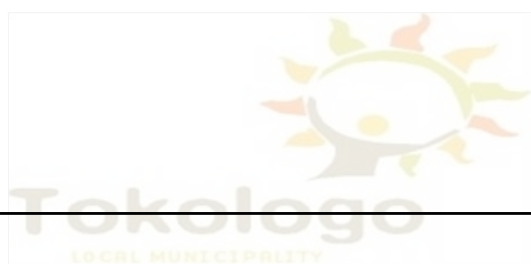
	-	-	-	(1 446 329)	(1 446 329)
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TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts**Budget on Cash Basis**

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	48 939 556	-	48 939 556	65 280 517	16 340 961	



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies**1. Presentation of Financial Statements**

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Provisions

Provisions were raised and management determined estimates based on information available. Additional disclosure of these estimates of provisions are included in Note 16 - Current Provisions.

Allowance for doubtful debts

An impairment loss on debtors is recognised in surplus and deficit when there is objective evidence that there is an impairment. An estimate is made for doubtful debtors based on a review of all outstanding amounts at year-end. Bad debts are written off with the approval of Council during the year in which they are identified. Additional disclosure of these estimates are included in note 6.

Trade receivables / Held to maturity investments and/or loans and receivables

The inventories assesses its trade receivables, held to maturity investments and loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the inventories makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that an assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks and other assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies**1.1 Significant judgements and sources of estimation uncertainty (continued)**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Numerical rounding

Numerical values were rounded by replacing it by another value that is approximately equal but has a shorter, simpler, or more explicit representation. Numerical values were rounded to the nearest Rand.

1.2 Biological assets

An entity shall recognise a biological asset or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are initially measured at their fair value less estimated point-of-sale costs where the cost is not available.

Thereafter game is measured at fair value of game which is determined based on market prices of game of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs is included in surplus or deficit for the period in which it arises.

Biological assets are derecognised on death or disposal.

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies**1.3 Intangible assets (continued)**

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Licenses and franchises	1 year

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies**1.4 Financial instruments (continued)**

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

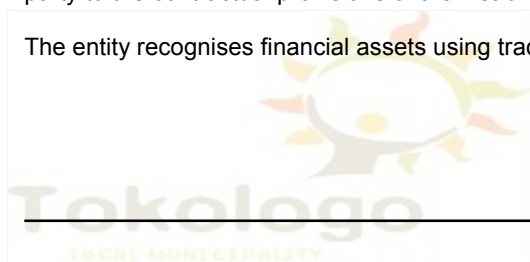
Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.4 Financial instruments (continued)**Initial measurement of financial assets and financial liabilities**

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Derecognition**Financial assets**

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the statement of financial performance.

1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies**1.7 Employee benefits****Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Defined benefit plans**(a) Post Retirement Medical Obligations**

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(d) Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(e) Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies**1.8 Investments**

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.9 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

The discount rate (or rates) shall be a pre-tax (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A constructive obligation is an obligation that derives from an entity's actions where:

- (a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity had indicated to other parties that it will accept certain responsibilities; and
- (b) as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

A contingent liability is:

- (a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

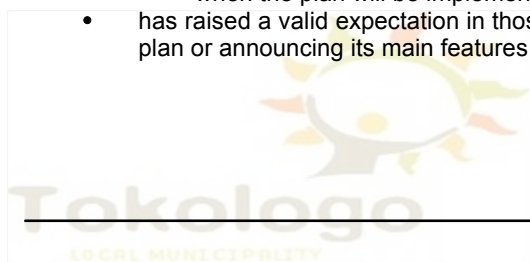
Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies**1.9 Provisions and contingencies (continued)**

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation. Contingent assets and contingent liabilities are not recognised.

Contingencies are disclosed in note 37.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

- defaults or delinquencies in interest and capital repayments by the debtor;

1.10 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment purchased from 01 July 2008 forward has been initially measured at cost. Property, Plant and equipment purchased prior to this date has been measured at provisional amounts in terms of Directive 4 of the Accounting Standards Board issued in March 2009.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies**1.10 Property, plant and equipment (continued)**

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for items of property, plant and equipment which was acquired prior to 01 July 2008, which are carried at provisional amounts.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land and buildings	
• Buildings	30 years
• Land	Indefinite
Furniture and fittings	
• Furniture and fittings	3 - 20 years
Motor vehicles	
• Other vehicles	5 years
• Specialised vehicles	5 - 10 years
Office Equipment	
• Office equipment	3 - 30 years
IT equipment	
• Computer equipment	2 - 3 years
Infrastructure	
• Roads and paving	16 - 20 years
• Water	1 - 10 years
• Sewerage	15-20 years
Community	
• Buildings	16 - 30 years
• Recreational facilities	20 - 30 years
• Security	10 years
Other property, plant and equipment	
• Watercraft	20 years
• Specialised plant and equipment	10 - 15 years
• Bins and containers	5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies**1.11 Investment property**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less any accumulated impairment losses.

Item	Useful life
Property - land	indefinite

1.12 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. In instances where meter readings have not been performed, provisional estimates of consumption are made. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale, therefore on a cash basis.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Measurement

TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies**1.12 Revenue from exchange transactions (continued)**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.13 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, due to the high uncertainty relating to the completeness of fines.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.14 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements.

1.16 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies**1.17 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Presentation of Currency

These financial statements are presented in South African Rand.

1.20 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.21 Conditional Grants and receipts

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.22 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.23 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.24 Commitments

Capital commitments are only disclosed in the notes to the financial statements and are not included as part of current liabilities as no service has been rendered or product sold to the municipality.

1.25 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies**1.25 Impairment of cash-generating assets (continued)**

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

1.26 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

2013

2012 restated

2. New standards and interpretations**2.1 Standards and interpretations effective and adopted in the current year**

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the entity.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and financial statements on a comparable basis, it includes the comparison as an additional column in the primary financial statements. Where the budget and financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the financial statements adjusted to be comparable to the budget.

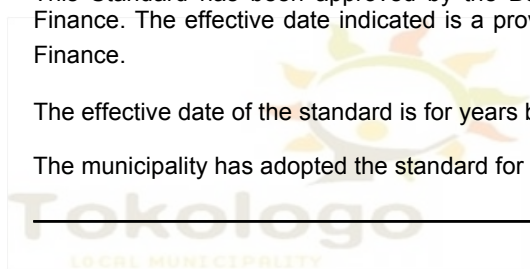
A comparable basis means that the budget and financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements**2. New standards and interpretations (continued)**

The impact of the standard is set out in note Changes in Accounting Policy.

2.2 Standards and Interpretations early adopted

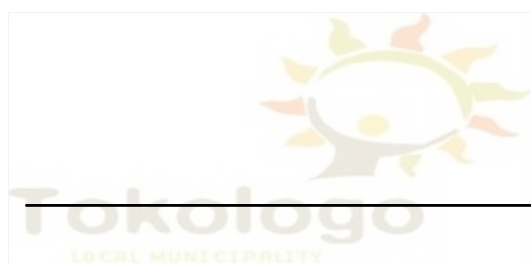
The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> GRAP 25: Employee benefits 	01 March 2014	Medium

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> GRAP 105: Transfers of functions between entities under common control GRAP 106: Transfers of functions between entities not under common control GRAP 107: Mergers GRAP 20: Related parties 	<ul style="list-style-type: none"> - - - - 	<ul style="list-style-type: none"> Low Low Low Low



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
3. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	788 437	227 798
Short-term deposits	2 432 376	3 140 510
Cashier's Float	400	400
	3 221 213	3 368 708

Cash and cash equivalents comprises cash with banks, cashier's float and short-term deposits. Cash equivalents are short term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. The carrying amounts therefore approximates their fair values.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
First National Bank - Current account - 62021285748	788 437	227 798	(3 636 547)	788 437	227 798	(4 484 472)
First National Bank - Current account - 62290902678	29 028	1 021 582	4 637 558	29 028	1 021 582	4 637 558
First National Bank - 7 Day Investment - 74368883317	66 227	-	-	66 227	-	-
First National Bank - 32 Day Deposit - 74037631683	124 061	119 836	115 228	124 061	119 836	115 228
First National Bank- Fixed Deposit- 71037990209	10 145	10 145	10 145	10 145	10 145	10 145
First National Bank - 32 Day Deposit -74037601777	52 076	50 623	49 142	52 076	50 623	49 142
Standard Bank - 32 Day Deposit - 048866393	2 022 162	1 909 320	1 827 060	2 022 162	1 909 320	1 827 060
Standard Bank - 32 Day Deposit- 048865303	-	29 004	28 146	-	29 004	28 146
First National Bank - Money Market 6238885376	128 678	-	-	128 678	-	-
Total	3 220 814	3 368 308	3 030 732	3 220 814	3 368 308	2 182 807

4. Inventories

Inventories	9 693	12 663
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Inventories comprise of water.



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
5. Receivables from non-exchange transactions		
Other receivables	1 663 262	3 794 050
Property Rates	364 990	110 890
Sundry debtors	118 609	115 882
	2 146 861	4 020 822

Other receivables comprises of property rates, rental income owed to the municipality, debtors raised from payroll and sundry debtors owed to the municipality

6. Receivables from exchange transactions**Gross balances**

Electricity	5 117 783	5 210 292
Water	1 088 801	425 018
Sewerage	19 514 747	16 915 913
Refuse	12 987 478	11 168 519
	38 708 809	33 719 742

Less: Allowance for impairment

Electricity	(3 969 846)	(3 939 625)
Water	(979 410)	(292 754)
Sewerage	(19 328 217)	(16 799 377)
Refuse	(12 896 211)	(11 115 014)
	(37 173 684)	(32 146 770)

Net balance

Electricity	1 147 937	1 270 667
Water	109 391	132 264
Sewerage	186 530	116 536
Refuse	91 267	53 505
	1 535 125	1 572 972

Electricity

Current (0 -30 days)	293 497	342 522
31 - 60 days	210 075	164 572
61 - 90 days	146 058	151 765
91 - 120 days	104 892	611 808
121 - 365 days	393 415	-
	1 147 937	1 270 667

Water

Current (0 -30 days)	81 657	18 630
31 - 60 days	27 734	7 958
61 - 90 days	-	9 042
91 - 120 days	-	7 838
121 - 365 days	-	5 476
> 365 days	-	83 320
	109 391	132 264

Sewerage

Current (0 -30 days)	186 530	116 536
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Refuse

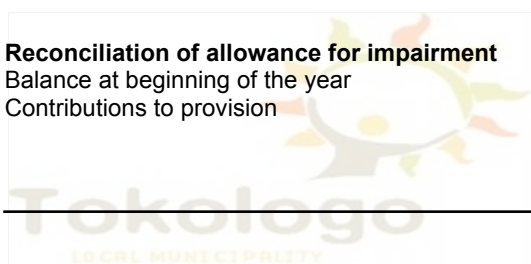
Current (0 -30 days)	91 267	53 505
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TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
6. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	231 741	779 088
31 - 60 days	51 972	553 281
61 - 90 days	3 362	552 430
91 - 120 days	54 879	503 090
121 - 365 days	903	3 473 397
> 365 days	37 166 025	25 990 925
	37 508 882	31 852 211
Less: Allowance for impairment	(37 027 687)	(31 730 274)
	481 195	121 937
Industrial/ commercial		
Current (0 -30 days)	318 408	90 552
31 - 60 days	74 052	50 673
61 - 90 days	16 126	40 549
91 - 120 days	22 235	36 676
121 - 365 days	159 229	965 991
	590 050	1 184 441
Less: Allowance for impairment	(71 698)	(333 277)
	518 352	851 164
National and provincial government		
Current (0 -30 days)	102 902	14 876
31 - 60 days	118 587	7 415
61 - 90 days	126 571	9 012
91 - 120 days	27 777	8 035
121 - 365 days	80 602	76 412
> 365 days	153 438	567 340
	609 877	683 090
Less: Allowance for impairment	(74 299)	(83 219)
	535 578	599 871
Total		
Current (0 -30 days)	653 051	884 516
31 - 60 days	244 611	611 369
61 - 90 days	146 059	601 991
91 - 120 days	104 891	547 801
121 - 365 days	240 734	4 515 800
> 365 days	37 319 463	26 558 265
	38 708 809	33 719 742
Less: Allowance for impairment	(37 173 684)	(32 146 770)
	1 535 125	1 572 972
Less: Provision for debt impairment		
Provision based on the provisions of IAS 39	(37 173 684)	(32 146 770)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(32 146 770)	(13 028 361)
Contributions to provision	(6 872 968)	(19 118 409)
	(39 019 738)	(32 146 770)



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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7. Value Added Tax

VAT	11 968 382	1 806 142
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VAT owed by SARS amounts to R 17,667,054.

The carrying amount of VAT receivable approximates fair value due to its short-term nature.

VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors.

8. Biological assets

	2013		2012	
	Fair Value	Carrying value	Fair Value	Carrying value
Other bearer biological assets	1 408 720	-	1 390 360	-

Reconciliation of carrying valued of biological assets - 2013

	Opening balance	Additions	Disposals	Total
Other bearer biological assets	1 390 360	212 180	(193 820)	1 408 720

Reconciliation of carrying value of biological assets - 2012

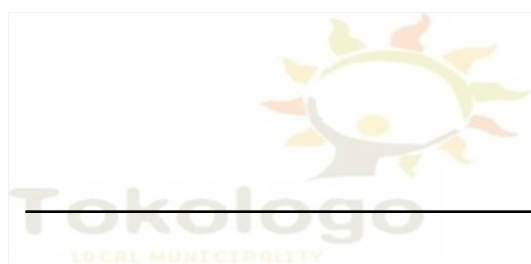
	Opening balance	Additions	Disposals	Total
Other bearer biological assets	1 297 720	289 060	(196 420)	1 390 360

Non – Financial information**Quantities of each biological asset (game)**

Blesbuck	323	272
Burchell's Zebra	46	56
Red Hartebeest	131	148
Mountain Reedbuck	3	3
Ostrich	23	25
Eland	19	16
Gemsbok	58	54
Impala	90	118
Springbok	544	417
Giraffe	5	4
	1 242	1 113

Methods and assumptions used in determining fair value

Tokologo Municipality is engaged in game farming. The balance sheet valuation of biological assets is based on an actual count and the unit values on market prices.



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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9. Investment property

	2013			2012		
	Provisional amount	Accumulated depreciation and accumulated impairment	Carrying value	Provisional amount	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	30 911 400	-	30 911 400	30 131 400	-	30 131 400

Reconciliation of carrying value of investment property - 2013

	Opening balance	Additions	Total
Investment property	30 131 400	780 000	30 911 400

Reconciliation of carrying value of investment property - 2012

	Opening balance	Total
Investment property	30 131 400	30 131 400

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Subsequent to initial measurement investment property is measured at fair value.
The fair value of investment property reflects market conditions at the reporting date.

Investment property comprises grazing fields commonly described as camp sites. Their main purpose is for renting out to livestock farmers for grazing.

The investment property is open stands and campsites and were not valued by an independent valuer.



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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10. Property, plant and equipment

	2013			2012		
	Cost / Provisional amount	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Provisional amount	Accumulated depreciation and accumulated impairment	Carrying value
Land	64 582 808	-	64 582 808	66 668 308	-	66 668 308
Infrastructure	374 988 623	(161 095 216)	213 893 407	362 600 871	(142 396 929)	220 203 942
Community	16 047 482	(1 576 589)	14 470 893	15 844 856	(1 205 388)	14 639 468
Finance lease assets	103 363	(53 903)	49 460	46 252	(11 967)	34 285
Capital work in progress	163 730 173	-	163 730 173	106 177 188	-	106 177 188
Other property, plant and equipment	19 511 003	(10 554 018)	8 956 985	16 423 031	(8 656 691)	7 766 340
Total	638 963 452	(173 279 726)	465 683 726	567 760 506	(152 270 975)	415 489 531

Reconciliation of carrying value of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	66 668 308	-	-	(2 085 500)	-	64 582 808
Infrastructure	220 203 942	-	-	12 387 752	(18 698 287)	213 893 407
Community	14 639 468	202 825	-	-	(371 201)	14 471 092
Finance lease assets	117 879	57 111	-	-	(125 530)	49 460
Capital work in progress	106 177 188	69 940 737	-	(12 387 752)	-	163 730 173
Other property, plant and equipment owned	7 766 340	3 109 548	(21 576)	-	(1 897 327)	8 956 985
	415 573 125	73 310 221	(21 576)	(2 085 500)	(21 092 345)	465 683 925

Reconciliation of carrying value of property, plant and equipment - 2012

	Opening balance	Additions	Transfer	Depreciation	Other changes, movements	Total
Land	66 668 308	-	-	-	-	66 668 308
Infrastructure	224 263 161	-	13 462 532	(17 521 751)	-	220 203 942
Community	12 963 271	2 028 250	-	(352 053)	-	14 639 468
Finance lease assets	-	46 252	-	(11 967)	-	34 285
Capital work in progress	53 665 042	65 974 678	(13 462 532)	-	-	106 177 188
Other property, plant and equipment owned	10 223 274	238 245	-	(1 172 245)	(1 522 934)	7 766 340
	367 783 056	68 287 425	-	(19 058 016)	(1 522 934)	415 489 531

Assets subject to finance lease (Net carrying amount)

Other property, plant and equipment	49 460	34 285
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TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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11. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Licenses and franchises	132 459	(56 313)	76 146	-	-	-

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Licenses and franchises	-	132 459	(56 313)	76 145

12. Investments**Designated at fair value**

Listed shares	277 521	277 011
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Non-current assets

At fair value through surplus or deficit - designated	277 521	277 011
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13. Consumer deposits

Electricity	299 431	287 658
Water	79 226	74 746
	378 657	362 404

14. Non-current portion of finance lease obligation**Minimum lease payments due**

- within one year	157 133	491 662
- in second to fifth year inclusive	233 423	331 995

less: future finance charges (within one year)	390 556	823 657
less: future finance charges (in second to fifth year inclusive)	(26 152)	(98 345)
	(26 788)	(47 383)

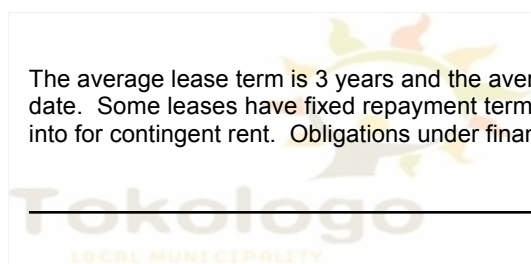
Present value of minimum lease payments	337 616	677 929
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Present value of minimum lease payments due

- within one year	130 981	393 317
- in second to fifth year inclusive	206 635	284 612
	337 616	677 929

Non-current liabilities	260 211	284 612
Current liabilities	183 285	393 317
	443 496	677 929

The average lease term is 3 years and the average effective borrowing rate is 8.5%. The Interest rates are fixed at the contract date. Some leases have fixed repayment terms and others escalate at 15% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
15. Payables from exchange transactions		
Trade payables	3 197 268	5 588 454
Payments received in advanced	995 165	589 602
Accruals	3 988 069	10 463 017
Accrued leave pay	2 188 225	2 030 525
	10 368 727	18 671 598

The fair values approximate carrying amount.

16. Provisions**Reconciliation of provisions - 2013**

	Opening Balance	Additions	Total
Rehabilitation of Landfill Sites	2 028 250	267 448	2 295 698

Reconciliation of provisions - 2012

	Opening Balance	Reversed during the year	Total
Rehabilitation of Landfill Sites	2 859 405	(831 155)	2 028 250

Rehabilitation of Landfill Sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is based on professional estimates received and is expected to be incurred within the next twelve months.

Estimates from industry sources were utilised to calculate the provision. Reports and reading material from Department of Water Affairs and Forestry (Requirements for Waste Disposal by Landfill and Waste Management & Minimum Requirements) and Waste Management Legislation Act. Feasibility studies comprising preliminary geohydrological investigation, preliminary environmental impact assessment, concept design and operational strategy and Impact studies were performed to estimate the related costs to rehabilitate the sites.

Calculations were split into direct and indirect costs, and include a process of closure of 3 landfill sites for the Tokologo Local Municipality in terms of Section 20(b) of the National Environmental Management Waste Act, 2008 (Act no. 59 of 2008).

Only the cost of the closure of the existing landfill sites were included in the provision as it is the only costs expected to be incurred within the next twelve months with regards to landfill sites. The construction of the new landfill sites are only expected to start in the 2014/2015 financial year thus they are not included in the provision for the current year.



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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17. Employee benefit obligations**Defined benefit plan****Post retirement benefit plan****Post retirement medical aid plan**

The municipality provides certain post-retirement health care benefits by finding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is liable for a certain portion of the medical aid membership fee. The municipality operates as unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by ZAQEN Actuaries (Pty) Ltd. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth

The amounts recognised in the statement of financial position are as follows:**Carrying value**

Present value of the defined benefit obligation-wholly unfunded	(3 444 000)	(3 104 000)
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The Liability in respect of past service has been estimated as follows:

Continuation Members	(3 444 000)	(3 104 000)
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Changes in the present value of the defined benefit obligation are as follows:

Opening balance	3 104 000	2 629 000
Benefits paid	(172 875)	(177 000)
Net expense recognised in the statement of financial performance	512 875	652 000
	3 444 000	3 104 000

Net expense recognised in the statement of financial performance

Current service cost	26 000	20 000
Interest cost	240 000	220 000
Actuarial (gains) losses	246 875	412 000
	512 875	652 000

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	246 875	412 000
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Key assumptions used

Assumptions used at the reporting date:

TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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17. Employee benefit obligations (continued)

Discount rates used	7.89 %	7.92 %
Consumer price inflation	6.14 %	5.74 %
Medical aid contribution inflation	7.14 %	6.74 %
Maximum subsidy increase rate	0.70 %	1.11 %

IAS19 defines the determination of the Discount rate assumption to be used as the rate that can "be determined by reference to market yields at the Statement of Financial Position date on high quality corporate bonds."

The Discount rate was therefore set as the yield of the R186 South African government bond as at the valuation date. The actual yield on the R186 bond was sourced from the RMB Global Markets website on the 28th of June 2013.

Other assumptions

Expected Retirement Age - Males and Females	63	-
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Amounts for the current and the previous year are as follows:

	2013	2012
Defined benefit obligation	3 444 000	3 104 000

18. Service charges

Sale of electricity	11 074 936	10 120 168
Sale of water	1 180 637	1 109 567
Sewerage and sanitation charges	3 382 456	3 042 017
Refuse removal	2 175 712	1 967 644
	17 813 741	16 239 396

19. Rental of facilities and equipment**Facilities and equipment**

Rental of facilities	381 672	214 956
Rental of equipment	-	4 679
Rental of camps	480 868	284 130
	862 540	503 765

20. Property Rates**Rates received**

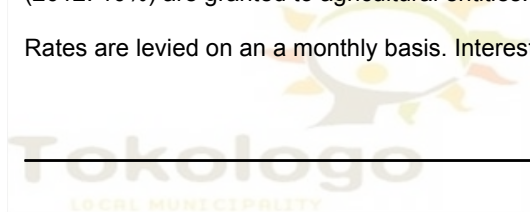
Residential	3 525 294	3 182 886
Less: Income forgone	(588 971)	(839 770)
	2 936 323	2 343 116

Valuations

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 0,0037 (2011: 0,0035) is applied to property valuations to determine assessment rates. Rebates of 10% (2012: 10%) are granted to agricultural entities.

Rates are levied on an a monthly basis. Interest at prime plus 2% per annum (2012: 11%) is levied on rates outstanding.



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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21. Revenue

Sale of goods	171 710	56 750
Rendering of services	185 709	82 452
Service charges	17 813 741	16 239 396
Rental of facilities and equipment	862 540	503 765
Interest received - investment	1 091 877	799 092
Dividends received	-	16 014
Property rates	2 936 323	2 343 116
Government grants & subsidies	123 997 194	107 150 344
Fines	106 255	174 410

147 165 349	127 365 339
--------------------	--------------------

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	171 710	56 750
Service charges	17 813 741	16 239 396
Rendering of services	185 709	82 452
Rental of facilities and equipment	862 540	503 765
Interest received - investment	1 091 877	799 092
Dividends received	-	16 014

20 125 577	17 697 469
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The amount included in revenue arising from non-exchange transactions is as follows:**Taxation revenue**

Property rates	2 936 323	2 343 116
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Transfer revenue

Government grants & subsidies	123 997 194	107 150 344
Fines	106 255	174 410

127 039 772	109 667 870
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TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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22. Employee related costs

Salaries and wages	15 365 071	14 673 108
Performance and other bonus	870 313	848 208
Medical aid - company contributions	833 995	962 094
UIF	128 567	118 435
WCA	-	137 689
Leave pay provision charge	417 697	122 263
Pension	1 612 943	1 480 374
Transport allowance	511 248	664 912
Employee benefits	654 657	1 707 000
	20 394 491	20 714 083

Remuneration of Adv LMA Mofokeng (Municipal Manager)

Annual Remuneration	531 211	545 069
Contributions for SDL, Bargaining Council and Council Allowance	5 389	1 497
	536 600	546 566

Contract ended 29 February 2013.

Remuneration of M Masisi (Chief Finance Officer)

Annual Remuneration	422 333	384 000
Car Allowance	216 000	216 000
Contributions for SDL, Bargaining Council and Council Allowance	4 628	1 372
	642 961	601 372

Remuneration of OH Setlhare (Corporate and human resources)

Annual Remuneration	-	326 805
Car Allowance	-	96 356
Contributions for SDL, Bargaining Council and Council Allowance	-	1 372
Housing allowances	-	11 336
	-	435 869

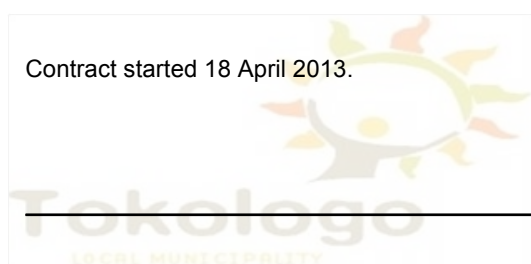
Remuneration of MJ Chakane (Technical Manager)

Annual Remuneration	680 623	345 948
Car Allowance	90 000	90 000
Contributions for SDL, Bargaining Council and Council Allowance	4 862	1 497
Housing Allowance	24 000	24 000
Telephone Allowance	4 000	-
	803 486	461 445

Remuneration of KJ Motlhale (Municipal Manager)

Annual Remuneration	194 560	-
Contributions for SDL, Bargaining Council and Council Allowance	1 946	-
	196 506	-

Contract started 18 April 2013.



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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22. Employee related costs (continued)**Remuneration of MG Maphobole (Corporate Services)**

Annual Remuneration	138 333	-
Contributions for SDL, Bargaining Council and Council Allowance	1 383	-
	139 716	-

Contract started 2 May 2013.

23. Remuneration of Councillors

Mayor / Speaker	642 816	610 700
Councillors	1 246 484	1 285 424
	1 889 300	1 896 124

In-kind benefits

The Mayor is provided with an office with secretarial support and an official vehicle with a driver at the cost of the Council.

24. Depreciation and amortisation

Property, plant and equipment	21 026 647	19 058 016
Intangible assets	56 313	-
	21 082 970	19 058 016

25. Finance costs

Trade and other payables	160 502	26 741
Finance leases	261 758	124 505
Bank	-	599
	422 260	151 845

26. Debt impairment

Provision for bad debts	6 872 970	19 118 409
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27. Bulk purchases

Electricity	13 255 864	10 608 054
Water	292 153	1 286 465
	13 548 017	11 894 519

28. Contracted Services

Legal Fees	192 271	540 537
Specialist Services	3 141 615	4 287 707
	3 333 886	4 828 244



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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29. Grants and subsidies paid

Free Basic Electricity	175 205	213 863
Free Basic Water	-	632 604
Indigents Refuse	28 023	134 226
Indigents Sanitation	1 745	47 877
Indigents Sewerage	39 011	182 472
Indigents Water	10 467	55 171
Other subsidies		
	254 451	1 266 213

30. General expenses

Accommodation	492 635	236 640
Advertising	336 395	222 553
Assets expensed	237 059	15 048
Audit committee	29 162	51 524
Auditors remuneration	2 129 674	2 322 511
Bank charges	198 548	246 000
Capacity building	158 865	171 624
Chemicals	26 287	-
Cleaning	233	714
Community development and training	86 197	25 704
Consumables	81	-
Contribution to landfill sites rehabilitation	268 239	245 636
Electricity	-	114 595
Employee Wellness Programme	-	174 560
Entertainment	44 569	104 762
Fuel and oil	650 682	660 610
IDP/LED	211 355	22 751
IT expenses	25 652	10 691
Lease rentals on operating lease	285 811	243 084
Miscellaneous office expenses	539 409	507 073
Motor vehicle expenses	-	204 722
Training	836 530	506 366
Penalties	28 471	119 771
Postage and courier	7 568	18 916
Printing and stationery	176 078	322 114
Protective clothing	238 243	181 314
Refuse	21 504	28 075
Staff welfare	8 030	3 990
Subscriptions and membership fees	499 617	54 433
Telephone and fax	667 297	1 025 679
Transport services rental expense	138 145	35 359
Travel - local	1 472 565	1 271 196
Water	-	1 720
Workmens' expenses	-	3 300
	9 814 901	9 153 035

31. Fair value adjustments

Other financial assets

- Other financial assets (Designated as at FV through P&L)

	510	7 518
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TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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32. Current unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Movement during the year

Additions during the year	83 928 142	69 151 840
Income recognition during the year	(83 928 142)	(69 151 840)
	-	-

See note 33 for reconciliation of grants from National/District Municipality.

33. Government grants and subsidies**Operating grants**

LG SETA	132 898	51 284
CoGTA	1 200 000	-
Municipal Systems Improvements Grant	800 000	790 000
Financial Management Grant	1 500 000	1 450 000
Equitable Share	43 058 042	34 082 000
	46 690 940	36 373 284

Capital grants

Municipal Infrastructure Grant	21 658 000	17 855 000
Department of Water and Forestry (DWAF)	54 204 254	52 413 060
Expanded Public Works Programme Incentive Grant	1 444 000	509 000
	77 306 254	70 777 060
	123 997 194	107 150 344

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members as well as to subsidise the municipality's operations.

All registered indigents received a monthly subsidy from the Equitable Share Grant.

Municipal Infrastructure Grant

Current-year receipts	21 658 000	17 855 000
Conditions met - transferred to revenue	(21 658 000)	(17 855 000)
	-	-

Conditions met - transferred to revenue (see note 32&33)

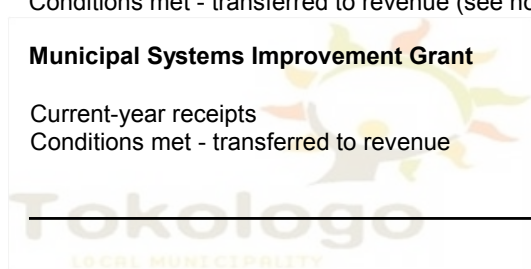
LG SETA

Current-year receipts	132 898	51 284
Conditions met - transferred to revenue	(132 898)	(51 284)
	-	-

Conditions met - transferred to revenue (see note 13&20)

Municipal Systems Improvement Grant

Current-year receipts	800 000	790 000
Conditions met - transferred to revenue	(800 000)	(790 000)
	-	-



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
33. Government grants and subsidies (continued)		
Conditions met - transferred to revenue (see note 32&33)		
Financial Management Grant		
Current-year receipts	1 500 000	1 450 000
Conditions met - transferred to revenue	(1 500 000)	(1 450 000)
	-	-
Conditions met - transferred to revenue (see note 32&33)		
Expanded Public Works Programme Incentive Grant		
Current-year receipts	1 444 000	509 000
Conditions met - transferred to revenue	(1 444 000)	(509 000)
	-	-
Conditions met - transferred to revenue (see note 32&33)		
Department of Water and Forestry (BULK Water) Grant		
Current-year receipts	57 560 474	49 056 840
Conditions met - transferred to revenue	(57 560 474)	(49 056 840)
	-	-
Conditions met - transferred to revenue (see note 32&33)		
CoGTA		
Current-year receipts	1 200 000	-
Conditions met - transferred to revenue	(1 200 000)	-
	-	-
Conditions met - transferred to revenue (see note 32&33)		
Equitable Shares		
Current-year receipts	43 058 042	34 082 000
Conditions met - transferred to revenue	(43 058 042)	(34 082 000)
	-	-
Conditions met - transferred to revenue (see note 32&33)		



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
34. Interest and dividend earned		
Dividend revenue		
Listed financial assets - Local	-	16 014
Bank	285 881	198 115
Interest charged on trade and other receivables	805 996	600 977
	1 091 877	799 092
	1 091 877	815 106

The amount included in interest earned arising from exchange transactions amounted to R 805 996 (2012: R600 977).

35. Cash generated from operations

Surplus	65 280 517	35 251 768
Adjustments for:		
Depreciation and amortisation	21 082 960	19 058 016
Gain on sale of assets and liabilities	1 446 839	73 100
Fair value adjustments	(510)	(7 518)
Finance costs	422 260	151 845
Debt impairment	6 872 970	19 118 409
Increase/(decrease) in retirement benefit assets and liabilities	340 000	3 104 000
Increase/(decrease) in provisions	267 448	(831 155)
Increase/(decrease) in Long Service Awards	81 000	(1 055 000)
Other non-cash items - prior year adjustments	(5 987 435)	(33 666 350)
Changes in working capital:		
Inventories	2 970	1 339 442
Receivables from non-exchange transactions	1 873 961	3 793 287
Receivables from exchange transactions	(37 847)	11 530 379
Payables from exchange transactions	(8 302 871)	9 901 525
VAT receivable	(10 162 240)	1 302 081
Increase/(decrease) in Consumer deposits	16 253	41 649
	73 196 275	69 105 478



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
36. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• Infrastructure	24 008 538	64 888 873
Approved but not yet contracted for		
• Infrastructure	14 339 237	15 000 138
TOTAL	38 347 775	79 889 011

This expenditure will be funded from Government Grants.

This committed expenditure for Infrastructure relates to the BULK projects and MIG projects of R7 606 506 and R16 402 032 respectively split as follows:

• Upgrading of Gravel Road at Boshof Seretse Phase 2	- 1,350,000
• Boshof Sanitation - Profession Fee	- 1,124,065
• Upgrading of Seretse Stadium	- 430 5291
• Upgrading of Seretse Stadium	- 6,893,253
• Roads, Storm water and community centre EPWP	- 478,868
• Upgrading of Dealesville Oxidation Ponds	- 678,504
• Upgrading of Dealesville Oxidation Ponds	- 5,446,811
• TOTAL MIG	<u>16,402,032</u>
• Hertzogville Bulk Water Pipeline (Ductile Iron 8.5km)	- 626,957
• Water treatment works at Hertzogville	- 1,171,477
• Water Treatment Works at Hertzogville	- 2,375,178
• Water Treatment Works at Hertzogville	- 864,431
• Abstraction Works at Christiana - Civil Works	- 1,179,190
• Mechanical and Electric Abstraction Works Christiana	- 824,742
• Hertzogville Bulk Water 10 km	- 564,531
• TOTAL REGIONAL BULK INFRASTRUCTURE GRANT	<u>7,606,506</u>
• TOTAL COMMITMENTS	24,008,538



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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37. Contingencies

The municipality has the following contingent liabilities:

A claim for services rendered was made by Big Bravo Construction CC amounting to R3 197 147.

A summons was issued by Boswa Bontle Trading amounting to R117 869 for goods sold and delivered.

A summons was issued by Thembinkosi Investment amounting to R1 550 100 for electrical services rendered.

Letter of demand issued by Daniel Batantse for the non-payment of salaries amounting to R7 500

Letter of demand issued by various Tokologo Farmers for payment of damages caused by veld fires, provisional assessment of damages amounting to R2 390 000.

The Trade Union, IMATU, contested the implementation of a wage curve agreement in the Labour Court and the court ruled in favour of IMATU. The Employers Organisation, SALGA, resolved to take the ruling of the Labour Court on review. In accordance with the wage curve agreement job evaluations were to be performed as per the TASK job evaluation system and the employees were entitled to be paid per the wage scales and rates per the agreement with 9 months retrospective increases with effect from 1 July 2010. Due to the fact that no evaluations were performed the extent of the possible remuneration to be paid could not be calculated

Contingent assets

The municipality did not have any contingent assets noted for the year under review.

38. Related parties**Relationships**

Accounting Officer

No related parties transactions noted except for remuneration as disclosed in note 24.

Close family member of key management

No related parties transactions noted

Joint venture of key management

No related parties transactions noted

Associate of close family member of key management

No related parties transactions noted

Post employment benefit plan for employees of entity and/or other related parties

No related parties transactions noted

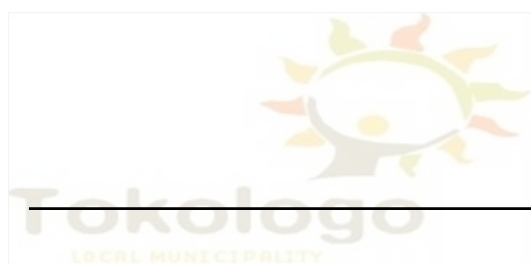
Post employment benefit plan for employees of a related party of a close family member of key management

No related parties transactions noted

Compensation to councillors and other key management (refer to note 22 & 23)

Key management information

Class	Remuneration	Number
Sec 57 Managers	Refer to note 22	3
Mayor	Refer to note 23	1
Councillors	Refer to note 23	7
Municipal Managers	Refer to note 22	1



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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39. Prior period errors

Payroll and other debtors amounting to R101 152 were written off as the revenue or refunds were recognised in the prior year.

Stale and RD cheques amounting to R89 119 were written back.

Employee benefit obligation for post-retired medical benefits was not accounted for and has to be accounted for retrospectively. The balance is R3 104 000.

Assets amounting to R755 162 should have been capitalised and was corrected.

Unidentified deposits older than three years have been written off as a creditor and recognised as income for prior years. Payroll creditors were written off as the expenditure occurred in the prior year. The total is R1 637 609.

Long services awards were not accounted for and have to be accounted for retrospectively. The balance is R1 135 000. Errors in the inventories calculation amounting to R228 189 were corrected.

Errors in the landfill site provision calculation and recognition amounting to R75 000 were corrected.

The revaluation reserve amounting to R18 175 was written off as it is not backed with funds.

Expenditure relating to prior year amounting to R1 141 107 was re-allocated to the correct year.

Grant income of R3 341 569 and pre-paid revenue of R252 093 relating to the prior year was recognised and a unidentified deposito amounting to R54 000 was receipted.

Due the newly found assets depreciation amounting to R1 865 961 had to be corrected.

An unexplained difference in between the confirmed VAT receivable from SARS and the accounting system from the prior year amounting to R5 906 211 was corrected

Statement of financial position

Increase in trade receivable from exchange transactions	-	(353 245)
Decrease in cash and cash equivalents	-	89 119
Decrease in employee benefits	-	(3 104 000)
Decrease in assets	-	(244 120)
Decrease in VAT	-	(5 906 211)
Increase in trade and other payables from exchange transactions	-	1 637 609
Increase in provisions	-	(1 130 000)
Decrease in inventories	-	(228 189)
NET EFFECT ON STATEMENT OF FINANCIAL POSITION	-	(9 239 037)
Opening Accumulated Surplus	-	3 546 642

Statement of Financial Performance

Creditors written off	-	(1 637 609)
Debtors written off	-	101 152
Stale cheques written back	-	(89 119)
Correct inventories	-	228 189
Revaluation reserve written off	-	18 175
Correct provision for landfill site	-	75 000
Allocation of revenue in correct year	-	(3 143 476)
Expenditure allocated	-	1 141 107
Employee Benefits	-	4 159 000
Assets previously expensed	-	755 162
FV adjustment	-	73 100
Depreciation on newly found assets	-	1 865 961

40. Risk management**Liquidity risk**

TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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40. Risk management (continued)

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance leases	-	157 133	233 423	-
Trade and other payables	10 368 727	-	-	-
At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance leases	-	491 662	331 995	-
Trade and other payables	18 671 595	-	-	-

Risk from biological assets

The municipality is exposed to financial risks arising from changes in the market price of game. The municipality does not anticipate that game prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in game prices. The municipality reviews its outlook for game prices regularly in considering the need for active financial risk management. There is also the risk of diseases which at the moment is unmanageable.

Interest rate risk

As the municipality has a couple of less significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Fixed deposits	- %	2 432 376	-	-	-	-



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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40. Risk management (continued)**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end are shown in the relevant note for cash and cash equivalents and trade receivables.

Financial instrument	2013	2012
Bank	788 437	227 798
Receivables from exchange and non-exchange transactions	3 681 986	5 593 794

41. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the municipality is very reliant on grants from Treasury. Funding will be received from National Treasury as long as the municipality submit their reports on time. The collection of outstanding consumer debtor accounts are also a priority for the next twelve months.

42. Events after the reporting date

There are no adjusting events after reporting date to report on, except for equitable share withheld but relating to the 2012/2013 financial year.

43. Unauthorised expenditure

Actual operational expenditure exceeded the budgeted operational expenditure by	21 383 461	36 221 598
Actual capital expenditure exceeded the budgeted capital expenditure	17 204 254	-
	38 587 715	36 221 598

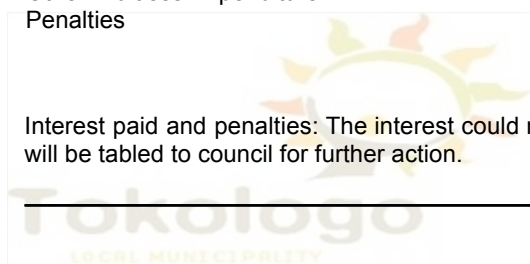
Additional funds allocated to the municipality from DWAF resulted in additional work performed on capital projects. The budget for capital expenditure were not adjusted when the additional work on projects were planned.

All the matters noted above will be presented to Council during the 2013/2014 financial year end so that they could be speedily resolved and concluded. The amount for the year under review will be investigated to get the exact amount and this will be presented to council for further action.

44. Fruitless and wasteful expenditure

Interest paid for late payments	163 953	151 809
Other Fruitless Expenditure	86 891	9 999
Penalties	17 459	2 015
	268 303	163 823

Interest paid and penalties: The interest could not be avoided as the municipality had a cashflow problem at that stage, but will be tabled to council for further action.



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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45. Irregular expenditure

Opening balance	39 031 781	33 633 905
Add: Irregular Expenditure - current year	8 551 128	5 397 876
	47 582 909	39 031 781

There are no amounts reflected as condoned, recoverable (not condoned) and not recoverable (not condoned) because Council has recommended an investigation after submissions have been presented to Council. Report on the investigation will be presented in the next Council meeting.

Subsequent to year end on 12 September 2013 Council did approve irregular expenditure to be written off amounting to R5 154 096.

Management is evaluating irregular expenditure on the whole population of errors identified.

Details of Irregular Expenditure – Current year

	STEPS TO BE TAKEN	
Procurement of goods and or services by obtaining only one or two quotations	Matters to be investigated and submitted to council	896 875
No proof of advertisements on entity's website	Matters to be investigated and submitted to council	1 439 847
Payments without applicable documentation	Matters to be investigated and submitted to council	538 143
Consultants appointed without following SCM procedures	Matters to be investigated and submitted to council	5 676 263
		8 551 128

A register and methodology for identifying, recording, investigating and subsequently tabling to Council will be prepared soon so that the matters can be captured and dealt with speedily and on a continual basis.

46. Additional disclosure in terms of Municipal Finance Management Act**Contributions to organised local government (SALGA)**

Current year subscription / fee	400 000	54 000
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Audit fees

Amount paid - current year	2 129 674	2 322 511
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UIF

Amount paid - current year	128 567	118 435
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VAT

VAT receivable	11 968 382	1 806 142
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VAT output payables and VAT input receivables are shown in note .



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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46. Additional disclosure in terms of Municipal Finance Management Act (continued)**Councillors' arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:-

30 June 2013	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Mongana	2 682	-	2 682
30 June 2012	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Mongana	246	5 620	5 866

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Distribution Losses

In terms of section 65(2)(e) of the MFMA the accounting officer must take reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. Contrary to this requirement, all money owing by the municipality was not paid within 30 days of receiving the relevant invoice or statement..

Distribution Losses (Electricity)

Units bought	13 851 000	16 767 000
Units sold	11 538 000	11 144 000
Units lost in distribution	2 313 000	5 623 000
Units lost in distribution as a percentage	17	34
Amount of unit losses	2 233 895	3 557 672
	-	-



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

2013

2012 restated

47. Actual operating revenue and expenditure versus budgeted operating revenue and expenditure

Revenue	Current year budget	Current year actual	Variance	Variance %
Property rates	2 871 478	2 936 323	64 845	2
Service charges	18 336 535	17 813 741	(522 794)	(3)
Rental of facilities	250 537	862 560	611 823	244
Interest earned- external investments	523 000	1 091 877	568 877	109
Dividends	3 000	-	(3 000)	(100)
Fines	80 000	106 255	26 255	33
Grants and subsidies	105 960 000	123 997 194	18 037 194	17
Rendering of services	74 135	185 709	111 574	151
Sale of Game	360 000	171 710	(188 290)	(52)
	128 458 685	147 165 369	18 706 484	401

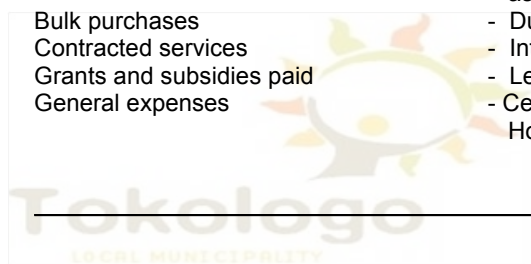
Expenditure	Current year budget	Current year actual	Variance	Variance %
Personnel	(24 319 478)	(20 394 491)	3 924 987	16
Remuneration of councillors	(1 991 070)	(1 889 300)	101 770	5
Impairment loss	(2 757 801)	-	(2 757 801)	100
Depreciation	(1 389 311)	(21 082 960)	(19 693 649)	(1 418)
Repairs and maintenance	(4 061 682)	(2 825 267)	1 236 415	30
Finance cost	-	(422 260)	(422 260)	(100)
Bulk purchases	(12 901 177)	(13 548 017)	(646 840)	5
Contracted services	(12 935 000)	(3 333 886)	9 601 114	(74)
Grants and subsidies paid	(942 244)	(254 451)	687 793	(73)
General expenses	(6 258 533)	(9 675 542)	(3 417 009)	(55)
Debt Impairment	(2 827 506)	(6 872 970)	(4 045 464)	(143)
	(70 383 802)	(80 299 144)	(15 430 944)	(1 707)

Reasons for significant variances between the approved budget and actual figures:**REVENUE**

- Sale of game - Due to drought, less game was allocated for culling.
- Rendering of services - Locals utilised the municipality's services more than in the past and there were annual price increases.
- Rental of facilities and equipment - Locals utilised the municipality's services more than in the past and there were annual price increases.
- Interest received - Due to an increase in investments and consumer debtors.
- Dividends received - Dividends were not declared.
- Government grants and subsidies - DWAF allocated more funds than gazetted
- Fines - Can be budgeted precisely as it relates to offences by public.

EXPENDITURE

- Personnel - The amount budgeted was for vacant positions which were not filled.
- Remuneration of councillors - The councillor of the party COPE passed away during the year under review.
- Depreciation and amortisation - Due to newly found assets, depreciation increased.
- Impairment loss - Assets did not deteriorate as anticipated.
- Finance costs - Capitalisation of leases contracts resulted in the recognition of interest.
- Debt impairment - Impairment was based on the circumstances of debtor in the current year and the recoverability of debt was less than anticipated.
- Repairs and maintenance - Maintenance on assets were done in the prior year which resulted in less assets needing to be repaired in the current year..
- Bulk purchases - Due to increased consumption and annual price increase.
- Contracted services - Internal capacity built, therefore less use of consultants.
- Grants and subsidies paid - Less applications were received from indigents and less consumption..
- General expenses - Certain expenditure was not anticipated with the compilation of the budget. However the expenditure is in line with the actual expenditure in the prior year.



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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48. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

49. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2013

	Loans and receivables	Total
Receivables from exchange transactions	1 535 125	1 535 125
Receivables from non-exchange transactions	2 146 861	2 146 861
Cash and cash equivalents	3 221 213	3 221 213
VAT Receivable	11 968 382	11 968 382
	18 871 581	18 871 581

2012

	mmmmmmm	Total
Receivables from exchange transactions	1 572 972	1 572 972
Receivables from non-exchange transactions	4 020 822	4 020 822
Cash and cash equivalents	3 368 708	3 368 708
VAT Receivable	1 806 142	1 806 142
	10 768 644	10 768 644

50. Long Term Service Awards**Reconcilliation - 2013**

	Opening Balance	Additions	Total
Long Term Service Awards	1 055 000	81 000	1 136 000

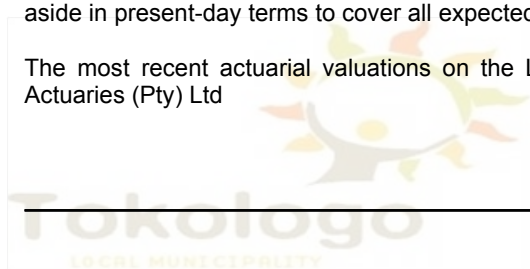
Reconcilliation - 2012

	Opening Balance	Additions	Total
Long Term Service Awards	-	1 055 000	1 055 000

The municipality operates as unfunded deficit benefit plan for all its employees. Under the plan, a Long-Service award is payable and extra leave is accrued after 5 years of continuous service and every 5 years thereafter to employees, from 10 years of service to 45 years of service.

This is the present value of the total Long-Term Service Awards expected to become payable under the employer's current arrangements and based on the assumptions made. This may be regarded as the amount of money that should be set aside in present-day terms to cover all expected Long-Term Service Awards for current employees.

The most recent actuarial valuations on the Long-Term Service Awards were carried out at 30 June 2013 by ZAQEN Actuaries (Pty) Ltd



TOKOLOGO MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012 restated
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51. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2013

	Financial liabilities at amortised cost	Total
Payables from exchange transactions	7 185 337	7 185 337

2012

	Financial liabilities at amortised cost	Total
Payables from exchange transactions	16 051 471	16 051 471

52. Operating lease Income

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Camp Rentals	481 842	706 181	27 488	3 289
At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Camp Rentals	477 132	966 974	238 669	13 158

Camp Property are leased out for between R30 - R200 per hectare. Contracts are signed for 5 years with lessee. There is no escalation in the price over the rental period.

53. Comparative figures

Audit Fees previously disclosed as Contracted Services in 2012 and 2013, now reclassified as External Audit fees.

Payables from non-exchange transaction for the prior year were re-classified as Receivables from non-exchange transactions for improvement..



GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013
Yearly

Loan Number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA	Rand	Rand	Rand
		Rand	Rand	Rand	Rand	Rand	Rand			
		-	-	-	-	-	-			



TOKOLOGO MUNICIPALITY

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APPENDIX B for the period ended 30 June 2013

The following information is unaudited and therefore no opinion is expressed

	ANALYSIS OF PROPERTY F				
	Cost/Revaluation				
	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Closing Balance Rand
Land/ Buildings					
Erven	62 567 353	-	-	-	62 567 353
Farms	4 100 955	-	-	-	4 100 955
	66 668 308	-	-	-	66 668 308
Community Assets					
Buildings	7 217 000	-	-	-	7 217 000
Land	5 283 257	-	-	-	5 283 257
Recreation facilities	1 316 350	-	-	-	1 316 350
	13 816 607	-	-	-	13 816 607
Leased Assets					
Office equipment	464 219	57 111	-	417 967	103 363
	464 219	57 111	-	417 967	103 363
Infrastructure					
Electricity	9 350 153	-	-	-	9 350 153
Roads	246 154 567	-	-	-	246 154 567
Sewerage	30 763 270	54 802	-	-	30 818 072
Water	68 841 339	-	-	-	68 841 339
Capital work in progress	106 177 188	70 202 366	(54 802)	-	176 324 752
	461 286 517	70 257 168	(54 802)	-	531 488 883



TOKOLOGO MUNICIPALITY

APPENDIX B for the period ended 30 June 2013

The following information is unaudited and therefore no opinion is expressed

	ANALYSIS OF PROPERTY F				
	Cost/Revaluation				
	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Closing Balance Rand
Other assets					
Furniture and fittings	2 031 201	3 109 548	-	21 578	5 119 171
Motor vehicles	8 599 908	-	-	-	8 599 908
Office equipment	542 814	-	-	-	542 814
Computer equipment	637 637	-	-	-	637 637
Plant and machinery	741 924	-	-	-	741 924
Specialised vehicles	3 869 547	-	-	-	3 869 547
	16 423 031	3 109 548	-	21 578	19 511 001
Total					
Land/ Buildings	66 668 308	-	-	-	66 668 308
Community Assets	13 816 607	-	-	-	13 816 607
Leased Assets	464 219	57 111	-	417 967	103 363
Infrastructure	461 286 517	70 257 168	(54 802)	-	531 488 883
Furniture and fixtures	-	-	-	-	-
Other assets	16 423 031	3 109 548	-	21 578	19 511 001
	558 658 682	73 423 827	(54 802)	439 545	631 588 162



The following information is unaudited and therefore no opinion is expressed

Opening Balance		Additions		Under Construction		Disposals		Closing Balance		Depreciation		Disposals		Closing Balance		Carrying Value	
Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand	
1 969 313	-	-	-	-	-	-	-	1 969 313	67 536	-	-	-	-	67 536	1 901 777		
420 468	-	-	-	-	-	-	-	420 468	84 378	-	-	-	-	84 378	336 090		
1 085 078	3 166 659	-	-	-	-	417 967	-	3 833 770	569 685	429 123	-	417 967	-	580 841	3 252 929		
60 379 147	-	-	-	-	-	-	-	60 379 147	99 806	-	-	-	-	99 806	60 279 341		
85 367	-	-	-	-	-	-	-	85 367	29 259	-	-	-	-	29 259	56 108		
84 457 131	-	-	-	-	-	21 579	-	84 435 552	11 636 879	1 897 327	-	-	-	13 534 206	70 901 346		
228 103 997	54 802	-	-	-	-	-	-	228 158 799	116 097 495	14 010 362	-	-	-	130 107 857	98 050 942		
47 749	-	-	-	-	-	-	-	47 749	15 082	-	-	-	-	15 082	32 667		
21 510 233	-	-	-	-	-	-	-	21 510 233	4 472 375	3 520 191	-	-	-	7 992 566	13 517 667		
54 423 012	-	-	-	-	-	-	-	54 423 012	15 231 849	-	-	-	-	15 231 849	39 191 163		
106 177 188	70 202 366	-	(54 802)	-	-	-	-	176 324 752	-	-	-	-	-	-	176 324 752		
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
558 658 683	73 423 827	(54 802)	439 546	631 588 162	148 304 344	19 857 003	417 967	167 743 380	463 844 782								

TOKOLOGO MUNICIPALITY

TOKOLOGO MUNICIPALITY

APPENDIX F for the ended 30 June 2013

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

The following information is unaudited and therefore no opinion is expressed

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	
Municipal infrastructure grant (MIG)	National	7 260 000	5 724 000	8 674 000	-	9 264 892	4 332 072	2 897 554	5 163 482	Yes
Financial Management Grant (PMG)	National	1 500 000	-	-	-	477 102	673 230	169 145	180 523	Yes
Municipal systems improvements grant (MSIG)	National	800 000	-	-	-	-	498 072	82 915	219 013	Yes
		-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	
		9 560 000	5 724 000	8 674 000	-	9 741 994	5 503 374	3 149 614	5 563 018	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.



CHAPTER 9

AUDITOR GENERAL AUDIT
REPORTREPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE
COUNCIL ON THE TOKOLOGO LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Tokologo Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2013, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, the statement of comparison of budget and actual amounts, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2012 (Act No. 5 of 2012) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified opinion

Property, plant and equipment

6. I was unable to obtain sufficient appropriate audit evidence regarding property, plant and equipment, as all assets could not be verified and assets were identified that were not

included on the asset register. I was unable to confirm property, plant and equipment by alternative means. In addition, assets were included that did not meet the definition of an asset as outlined in the requirements of GRAP 17, *Property, plant and equipment*. The municipality also did not correctly account for impairment assessment of all of the municipality's assets at each reporting date in accordance with GRAP 17 and GRAP 26, *Impairment of cash-generated assets*. I was not able to determine the correct net carrying amount of property, plant and equipment as it was impracticable to do so. Consequently, I was unable to determine whether any further adjustment relating to property, plant and equipment stated at R465 683 726 (2012: R415 489 531) in note 10 to the financial statements was necessary.

Investment property

7. I was unable to obtain sufficient appropriate audit evidence regarding investment property stated at R30 911 400 in note 9 in the financial statements due to reconciliations not being performed between the municipal properties per the valuation roll and properties per the municipality's asset register and a lack of title deeds for municipal properties. I was unable to confirm investment property by alternative means. Consequently, I was unable to determine whether any further adjustments to the amount disclosed for investment property were necessary.

Cash flow statement

8. I was unable to obtain sufficient appropriate audit evidence regarding the cash flow statement due to the limitations placed on my audit of various components of the financial statements. I was unable to confirm the cash flow statement by alternative means. Consequently, I was unable to determine whether any adjustments relating to the cash flow statement in the financial statements were necessary.

Accumulated surplus

9. The municipality did not have adequate internal control systems in place to ensure that transactions were accurately accounted for. I was unable to obtain sufficient appropriate audit evidence for the amounts disclosed and could not confirm the disclosure by alternative means. Consequently, I was unable to determine whether any further adjustments to accumulated surplus stated at R499 172 209 (2012: R432 170 428) and the resultant disclosure in the statement of changes in net assets in the financial statements were necessary.

Aggregation/accumulation of immaterial uncorrected misstatements

10. The financial statements as a whole were materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up the statement of financial position, the statement of financial performance and the notes to the financial statements:
 - Contracted services reflected as R3 333 886 were overstated by R522 173.
 - Receivables from exchange transactions reflected as R1 535 125 were overstated by R458 372.
 - General expenditure reflected as R9 814 901 was understated by R608 675.
 - Grants and subsidies paid reflected as R254 451 were understated by R877 014.



- Irregular expenditure reflected as R47 582 909 was understated by R 626 049.

11. In addition, I was unable to obtain sufficient appropriate audit evidence and I was unable to confirm the following elements by alternative means:

- Finance lease obligation reflected as R677 929 in the previous year.
- Property rates of R308 281 as included in the disclosed amount of R2 343 116 in the previous year.
- Employee-related cost of R224 173 as included in the disclosed amount of R20 394 491.

As a result, I was unable to determine whether any further adjustments to these elements were necessary.

Opinion

In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Tokologo Local Municipality as at 30 June 2013 and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matter

12. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Restatement of corresponding figures

13. As disclosed in note 39 to the financial statements, the corresponding figures for 2012 were restated as a result of an error discovered during 2013 in the financial statements of the Tokologo Local Municipality at, and for the year ended, 30 June 2012.

Irregular expenditure

14. The full extent of the irregular expenditure of R47 582 909, as disclosed in note 45 to the financial statements, was still in the process of being investigated.

Material losses/impairments

15. As disclosed in note 6 to the financial statements, a provision for a decrease in value to the amount of R37 173 684 (96%) (2012: R32 146 770) (95%) was made with regard to amounts owing to the municipality in respect of services rendered by the municipality, rates and taxes and other charges amounting to R38 708 809 (2011: R33 719 742).

Additional matters

16. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Material inconsistencies in other information included in the annexures

17. Appendix B to the financial statements indicates that the carrying value of property, plant and equipment amounted to R463 844 782. This was inconsistent to the amount of R 465 683 726 disclosed in note 10 to the financial statements.



REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

18. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

19. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages ... to ... of the annual report.
20. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury's *Framework for managing programme performance information (FMPPI)*.

The reliability of the information in respect of the selected development objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

21. The material findings are as follows:

Usefulness of information**Presentation**

22. Section 46 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) requires disclosure in the annual performance report of measures taken to improve performance where planned targets were not achieved. Measures to improve performance for a total of 24% of the planned targets that were not achieved were not reflected in the annual performance report. This was due to the lack of oversight by management.

Measurability

23. The FMPPI requires that performance targets be measurable. The required performance could not be measured for a total of 21% (>20%) of the targets and/or significantly important targets in relation to the overall mandate of the entity. This was due to the fact that management was not aware of the requirements of the FMPPI.
24. The FMPPI requires that indicators/measures should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. All of the indicators were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the fact that management was not aware of the requirements of the FMPPI.



Reliability of information

25. The FMPPI requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The information presented with respect to municipal financial viability and management was not reliable when compared to the source information and evidence provided. This was due to the lack of frequent review of validity of reported achievements against source documentation and the officials' lack of understanding of proper record keeping and reporting on service delivery.
26. The FMPPI requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of information presented with respect to the service delivery and infrastructure development. This was due to the lack of frequent review of validity of reported achievements against source documentation and the officials' lack of understanding of proper record keeping and reporting on service delivery.

Compliance with laws and regulations

27. I performed procedures to obtain evidence that the entity had complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations, as set out in the general notice issued in terms of the PAA, are as follows:

Strategic planning and performance management

28. The municipality did not afford the local community at least 21 days to comment on the final draft of its integrated development plan before the plan was submitted to the council for adoption, as required by regulation 15(3) of the Municipal Planning and Performance Management Regulation (MPPMR).
29. The performance management system of the municipality was not in line with the priorities, objectives, indicators and targets contained in its integrated development plan and did not relate to the municipality's performance management processes and/or did not provide for procedures whereby the system was linked to the municipality's integrated development planning processes, as required by section 38(a) of the MSA.
30. The municipality did not establish mechanisms to monitor and review its performance management system, as required by section 40 of the MSA.
31. The municipality did not set key performance indicators, including input indicators, output indicators and outcome indicators, in respect of each of the development priorities and objectives set out in the integrated development plan, as required by section 41(1)(a) of the MSA and MPPMR 1 and 9(1)(a).
32. The municipality did not have and maintain effective, efficient and transparent systems of financial and risk management and internal controls, as required by section 62(1)(c)(i) of the MFMA.

33. The accounting officer of the municipality did not, by 25 January, assess the performance of the municipality during the first half of the financial year, as required by section 72(1)(a)(ii) of the MFMA.

Budgets

34. Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.
35. Quarterly reports on the implementation of the budget and financial state of affairs of the municipality were not submitted to the council within 30 days after the end of each quarter, as required by section 52(d) of the MFMA.
36. Monthly budget statements were not submitted to the mayor or provincial treasury, as required by section 71(1) of the MFMA.

Annual financial statements, performance and annual reports

37. The financial statements submitted for auditing were not prepared, in all material respects, in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current and current assets, and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and/or the supporting records were provided, but supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.
38. The 2011-12 annual report was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127(2) of the MFMA.
39. Oversight report, containing comments on the annual report, was not adopted by the council within two months from the date on which the 2011-12 annual report was tabled, as required by section 129(1) of the MFMA.
40. The annual report for the year under review was not submitted to the audit team.
41. The annual performance report for the year under review did not include the performance of each external service provider, as required by section 46 (1)(a),(b),(c) of the MSA.

Audit committees

42. The audit committee did not advise the council on matters relating to internal financial control and internal audits, risk management, accounting policies, effective governance, performance management, performance evaluation, as required by section 166(2)(a) of the MFMA.
43. The audit committee did not advise the council on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.
44. The audit committee did not advise the council/accounting officer on matters relating to compliance with legislation, as required by section 166(2)(a)(vii) of the MFMA.
45. The audit committee did not respond to the council on the issues raised in the audit reports of the auditor-general, as required by section 166(2)(c) of the MFMA.
46. The audit committee did not meet at least four times a year, as required by section 166(4)(b) of the MFMA.
47. The audit committee did not review the quarterly internal audit reports on performance measurement, as required by MPPMR 14(4)(a)(i).

48. The audit committee did not review the municipality's performance management system and/or make recommendations to the council, as required by MPPMR 14(4)(a)(ii).
49. The audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by MPPMR 14(4)(a)(iii).

Internal audit unit

50. The internal audit unit did not audit the results of performance measurements, as required by section 45(1)(a) of the MSA and MPPMR 14(1)(a).
51. The internal audit unit did not audit the performance measurements on a continuous basis and/or submit quarterly reports on their audits to the municipal manager and the performance audit committee, as required by MPPMR 14(1)(c).
52. The internal audit unit did not function as required by section 165(2) of the MFMA, in that it did not advise the accounting officer and/or report to the audit committee on matters relating to internal controls, accounting procedures and practices, risk and risk management and loss control.
53. The internal audit unit did not advise the accounting officer and/or report to the audit committee on matters relating to compliance with the MFMA, DoRA and other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.

Procurement and contract management

54. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, as required by regulation 17(a) and (c) of the Supply Chain Management (SCM) Regulations.
55. Quotations were accepted from prospective providers who were not registered as accredited prospective providers and did not meet the listing requirements prescribed by the SCM policy, in contravention of SCM regulations 16(b) and 17(b).
56. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
57. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e) or the code of conduct for councillors issued in terms of the MSA or the code of conduct for staff members issued in terms of the MSA.
58. A list of accredited prospective providers was not in place for procuring goods and services through quotations, as required by SCM regulation 14(1)(a).
59. Sufficient appropriate audit evidence could not be obtained that all contracts and/or quotations were awarded and accepted in accordance with the legislative requirements and a procurement process which was fair, equitable, transparent and competitive.

Human resource management and compensation

60. The municipality did not submit a report on compliance with prescribed competency levels to the National Treasury and relevant provincial treasury as required by regulation 14(2)(a) of the Regulations on Minimum Competency Levels.



- 61. The competencies of financial and SCM officials were not assessed in a timely manner in order to identify and address gaps in competency levels, as required by regulation 13 of the Municipal Regulations on Minimum Competency Levels.
- 62. The municipality did not develop and adopt appropriate systems (policies) and procedures to monitor, measure and evaluate performance of staff, in contravention of section 67(d) of the MSA.

Expenditure management

- 63. Money owing by the municipality was not always paid within 30 days or an agreed period, as required by section 65(2)(e) of the MFMA.
- 64. Payments were made without the approval of the accounting officer or a properly authorised official, as required by section 11(1) of the MFMA.
- 65. An effective system of expenditure control, including procedures for the approval/authorisation, was not in place, as required by section 65(2)(a) of the MFMA.
- 66. Reasonable steps were not taken to prevent unauthorised, irregular expenditure as well as fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Conditional grants

- 67. The municipality did not submit quarterly performance reports to the transferring national officer, the provincial treasury and the National Treasury, within 30 days after the end of each quarter, as required by section 12(2)(c) of DoRA.
- 68. Unspent conditional grant funds not committed to identifiable projects and not approved by the National Treasury for retention were not surrendered to the National Revenue Fund, as required by section 21(1) of DoRA.

Revenue management

- 69. A credit control and debt collection policy was not implemented, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of the MFMA.
- 70. A tariff policy was not implemented for the levying of fees for provision of municipal services, as required by section 74(1) of the MSA and section 62(1)(f)(i) of the MFMA.
- 71. Interest was not charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.
- 72. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.
- 73. An effective system of internal control for debts was not in place, as required by section 64(2)(f) of the MFMA.

Asset management

- 74. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

Liability management

- 75. An adequate management, accounting and information system which accounted for liabilities was not in place, as required by section 63(2)(a) of the MFMA.



76. An effective system of internal control for liabilities was not in place, as required by section 63(2)(c) of the MFMA.
77. Long-term debt was incurred without a resolution of the municipal council approving the debt agreement, in contravention of section 46(2) of the MFMA.

Consequences management

78. Unauthorised expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.
79. Irregular expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.
80. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.
81. Irregular and fruitless and wasteful expenditure was not adequately investigated and therefore could not be recovered from the liable person, as required by section 32(2) of the MFMA.
82. Allegations of financial misconduct against senior managers were not always tabled before the council, as required by regulation 5(2) of the Local Government: Disciplinary Regulations for Senior Managers.
83. Investigations were not instituted into all allegations of financial misconduct against officials of the municipality, as required by section 171(4)(a) of the MFMA.

Internal control

84. I considered internal control relevant to my audit of the financial statements annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for disclaimer opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

85. Oversight by political and senior management was not effective and leadership did not always take timeous and adequate action to address weaknesses. Key management positions were vacant during the year under review and a lack of capacity in the finance and procurement sections, resulted in non-compliance with applicable legislation and gave rise to unauthorised, irregular as well as fruitless and wasteful expenditure.
86. Furthermore, the lack of decisive action to implement timely corrective measures and address non-performance was evidenced by the failure of management to adequately address external audit findings in a timely manner. This resulted in the audit findings in the previous year report recurring in the current year.

Financial and performance management

87. Effective performance systems, processes and procedures as well as the management thereof had not been adequately developed and implemented. As a result, significant difficulties were experienced in respect of the availability of adequate information,



especially with regard to reporting on service delivery issues where a lack of competencies existed.

88. The financial statements were not properly reviewed for completeness and accuracy prior to submission for auditing. The municipality did not have the capacity to address backlog issues and financial system problems, resulting in the need to appoint consultants. Consultants assisted with the preparation of an asset register and financial statements. Finance staff had an insufficient understanding of the accounting framework. This contributed to the numerous adjustments made in the financial statements of the municipality.

Governance

89. Internal control deficiencies were not identified, communicated and corrected in a timely manner. The implementation of external audit recommendations was not prioritised and also not monitored. This resulted in the previous year audit findings not being substantially addressed.
90. Although the municipality had an internal audit division, it was not adequately resourced and functioning effectively. An audit committee and performance audit committee were also not in place for the entire financial year under review resulting in a lack of oversight..

Auditor-General

Bloemfontein

18 December 2013



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